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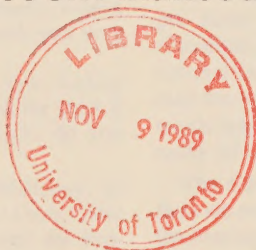
No. F-1

# Hansard

## Official Report of Debates

### Legislative Assembly of Ontario

**Standing Committee on Finance and Economic Affairs**  
Organization



**Second Session, 34th Parliament**  
Thursday 19 October 1989

Speaker: Honourable Hugh A. Edighoffer  
Clerk of the House: Claude L. DesRosiers

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Contents of the proceedings reported in this issue of Hansard appears at the back, together with a list of the members of the committee and other members and witnesses taking part.

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 19 October 1989

The committee met at 1557 in committee room 2.

### ORGANIZATION

**Clerk of the Committee:** Honourable members, it is my duty to call upon you to elect a chair. Are there any nominations?

**Mr Daigeler:** I would like to nominate Steve Mahoney.

**Clerk of the Committee:** Are there any further nominations? I declare Mr Mahoney elected chair of the standing committee on finance and economic affairs.

**The Chair:** Thank you. Could I ask for nominations for the position of vice-chair, please?

**Mr Daigeler:** I would like to nominate Rick Ferraro.

**The Chair:** Are there any other nominations? If not, I declare that Mr Ferraro is the vice-chairman.

**Mr Ferraro:** I am not saying a word.

**The Chair:** That is the best speech I have heard you give in a long time. Thank you very much.

We have been given a motion here dealing with the subcommittee so I would ask the clerk if she could read that motion—or, Rick, do you want to read it?

**Mr Ferraro:** I move that Mr Mahoney, as chair, myself as vice-chair, the New Democratic Party member Karl Morin-Strom and the Progressive Conservative member Dianne Cunningham do compose the business subcommittee; that the said business subcommittee meet from time to time at the call of the chairman to consider and report to the committee on the business of the committee; that substitution be permitted on the business subcommittee, and that the presence of all members of the business subcommittee is necessary to constitute a meeting.

**The Chair:** Are there any comments to that motion?

**Mrs Cunningham:** If my colleague would prefer to do that, there will not be any major problems with the committee.

**Mr Ferraro:** Substitutions are permitted, although you are much better looking and much more affable.

**Mrs Cunningham:** Thank you.

**The Chair:** Yes, and I think the committee would enjoy having Mrs Cunningham on the committee.

Motion agreed to.

**The Chair:** Just before we go to scheduling, you have been given a report prepared by Anne Anderson, our research officer. For those of you who have not met her, Anne is here. This shows the past agenda, which actually I asked for. Not having been a member of this committee, and there are some new members, I asked if we could get such a summary to outline the items the committee has dealt with in the past, talk about where we stand right now, what our immediate scheduling and items should be and some of the future agenda items for discussion. We can deal with a lot of this at the subcommittee level if that is what we wish to do, but you have all been given a copy of this and maybe you have some comments.

**Mr Daigeler:** I would appreciate if we could get some indication today as to what the committee wants to do. We all know Christmas is not that far off, and it looks like the committee may be studying some very important bills. I would appreciate if we could get some indication today what the desires of the committee are.

**The Chair:** Okay. I understand that the last item we were dealing with in the committee was the hearings on Bill 20 and that we are coming to the stage of going through clause-by-clause debate.

**Mr D. R. Cooke:** That is right, Mr Chairman. As I recall, we finished all the hearings and were prepared to start clause-by-clause. There was some discussion about getting a week's hearing in early October, which we did not succeed in obtaining. There was also some discussion about a preliminary meeting with spokespeople from the ministries prior to the clause-by-clause occurring. That is where it is left now.

**The Chair:** The report that I have here, dated 30 August, direct from the subcommittee, directed you to write to the whips and House leaders requesting three days—that was unsuccessful, I guess—

**Mr D. S. Cooke:** That is right.



**The Chair:** —and for the clerk to arrange to have political and staff representatives from Municipal Affairs, Education, Treasury and Economics, and Health during that time. Again, I presume that was not arranged either.

**Mr D. S. Cooke:** That has not occurred. That was a somewhat unusual request. At that time, we had finished our hearings and we had very little input from ministry officials as to what their responses were to some of the suggestions that were made for amendments, and it was felt by all three parties at that time that there might be some benefit in that. Since then, we have received proposed amendments and we received answers to all questions, so I do not know whether it is still necessary.

**The Chair:** Maybe we could ask the opposition members if they are prepared to go to clause-by-clause next Thursday morning.

**Mr Morin-Strom:** I am not particularly prepared to, no, because the committee had made a decision back in late August that we should first give the various representatives of the key ministries involved the opportunity to appear. We had asked that we get the various ministers who were just listed in that resolution from the subcommittee, which was adopted by the whole committee, because through the public hearing process we did not have representation from the ministries directly responsible—the Ministry of Health and Ministry of Municipal Affairs—

**The Chair:** Municipal Affairs and Education.

**Mr Morin-Strom:** Not Health. Municipal Affairs and Education are the ones that are most directly responsible for the bill, and neither the ministers nor their parliamentary assistants were with the committee to be able to indicate what their definitive positions were on many issues that had been raised. The one particular issue that we certainly heard nothing about was the issue of hospital funding and what the opinion of the Minister of Health (Mrs Caplan) was.

I know it was the member for Simcoe West (Mr McCague) who particularly was insistent that we had to take some time to address the issue of hospital funding and whether the concerns that had been raised that lot levies should be available to municipalities or regional municipalities to assist with the local share of funding of hospitals should be addressed as well.

I would like to support the decision that the committee had made just before we adjourned: that it would be appropriate to have representatives of various ministries to explain, I suppose, at this point what position they have now taken

on these issues, with the amendments, before we start the clause-by-clause itself.

**The Chair:** Mrs Cunningham might have a comment, but could I just ask if you have some indication of what time you think would be involved in that? Is that something that could be done in a morning sitting? The only reason I ask is that there are other items, particularly information that I think the clerk could share with us with regard to our prebudget process, that we want to get into at some point. If we are going to talk about scheduling, I would like some indication of how much time you feel is required on this.

**Mr Morin-Strom:** I think it would expedite the process if we spent one day, say, with the various ministries; say next Thursday.

**The Chair:** Morning and afternoon.

**Mr Morin-Strom:** Yes, with whomever may be available in the morning, and then if other ministries are available in the afternoon.

**The Chair:** In camera?

**Mr D. R. Cooke:** The idea was in camera, yes. That was the understanding.

**Mr Morin-Strom:** I think that is up to the committee. I remember that the opposition parties were going to go with Mr McCague originally. At that point it appeared that perhaps the amendments would not be available by the end of September; we would be able to get some preliminary discussions on what the government's thinking was, even in advance of coming to this definitive position on amendments, and that the offer had been made to the government members that the opposition would be willing to do that in camera. I am not positive that a final decision has been made, but I know that the opposition was open to that if the committee felt that was appropriate.

**Mrs Cunningham:** On the bottom of page 5 of the summary, which I too appreciated, Mr Chairman, it does say that the committee had concerns about the use of the lot levies in hospital funding specifically, and that this was the issue where we would like to have the appropriate ministry appear before the committee. I will just underline that I will support what Mr Morin-Strom stated.

**Mr Daigeler:** I appreciate that we have some indication as to what kind of time frame the opposition is interested in. Perhaps I can indicate the desires on the part of the government side. Most likely, depending on what happens next week, the employers' health levy will be referred to this committee. It is the Ministry of Revenue bill and the minister would like to be present

when that bill is discussed. If there is any way that we can start with that bill as soon as possible once it is referred, I think we are trying to aim for that. If the committee would like to have some hearings next week on Bill 20—

**Mr Morin-Strom:** Are you suggesting we are going to abandon Bill 20 to do something else?

**Mr Daigeler:** I think if it is possible to do what you are requesting, to do that hearing next week, and then later on go back to the clause-by-clause on Bill 20, I think there is flexibility there.

**Mr Ferraro:** Prior to hearing Mr Daigeler, I was going to say one thing, but it also gives me food for thought. Let me comment on what I was going to say.

Firstly, I concur with the other members of the committee that indeed it would be worth while, as previously agreed, that we should talk to the ministry officials. My own personal point of view as to whether or not it should be in camera is, quite frankly, I do not see a great necessity from the standpoint that when we do go clause-by-clause anyway, the ministries are going to have to answer questions, essentially, to the same degree.

Listening to what my colleague said about conceivable transference of the employers' health tax bill to us, seriously, it concerns me from the standpoint that we have to finish Bill 20 and at the same time, coincidentally, deal with prebudget submissions. If we get the employers' health tax matter, bearing in mind that there are no sittings in January, quite frankly, I do not know how the committee can handle all that.

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**Mr Daigeler:** This is going to be a busy committee this time and it alters the possibility that the commercial concentration tax will be referred to this committee. We do not have too many meetings and sessions left. I think we are willing to have the ministries come, if the opposition would like to have that on Bill 20 and hear the amendments, but I think there would have to be an understanding that we would go back to clause-by-clause later.

**Mr Morin-Strom:** I think there are some serious problems with what Mr Daigeler is suggesting here. Maybe the clerk can clarify it. Is there not some kind of rule that when a bill finishes second reading, there is at least a certain period of time before a committee can consider that bill?

**Clerk of the Committee:** It is five days.

**Mr Morin-Strom:** Five days. That has not completed second reading—I do not believe it has

even started second reading—so I do not know why we are talking about a bill coming before our committee next Thursday that has not even gone to second reading. It is against the rules of the House. The critics have not been talked to about it.

**Mr D. R. Cooke:** I did not say we had to deal with it next week.

**Mr Morin-Strom:** I understand Mr Daigeler has asked us to put off Bill 20 and start the clause-by-clause next Thursday on a bill which has not gone through second reading.

**The Chair:** Let's get the clerk to clarify one thing, first of all. Tell them what you just told me.

**Clerk of the Committee:** You can have preliminary discussions on a bill. You cannot make any decisions on a bill until it has been in Orders and Notices for five days so you cannot make any decisions on a bill that has not been referred until it has been on the order paper. That would not stop us doing as we have done on bills.

**The Chair:** Having said that, I did not hear that being suggested, so maybe Mr Daigeler could clarify for us what he is saying.

**Mr Daigeler:** I am just trying to inform the committee what may be coming down before Christmas—

**The Chair:** Christmas this year?

**Mr Daigeler:** —yes—and in the light of what is coming down, how we might schedule our discussions.

**The Chair:** Okay. Mr Morin-Strom, you still have the floor. I think that clarifies what he is saying. We are not going to have that bill here next Thursday.

**Mr Morin-Strom:** He did talk about putting off the completion of the clause-by-clause on Bill 20 and I think we have done a service to people in terms of holding public hearings. We have an obligation to proceed with it. Frankly, I really do not see that Bill 20 is going to take a long time, so I do not think you really have to be concerned about that. Frankly, if you want to take the point of view that this meeting with all the ministry people is on the first clause of Bill 20, I do not have any big hangup on that; but why do we not have a general discussion of Bill 20, get all of the issues thrashed out and then we can do the clauses afterwards? I do not think the clauses are going to take a long time after that.

**The Chair:** Okay. We could invite the appropriate people to be at the committee next Thursday morning, deal with questions and



whatever point we arrive at when finishing those questions, we will go right into clause-by-clause. If we can handle all those questions in the morning session, we will do clause-by-clause in the afternoon; if not, we will go at whatever point we complete those questions, if that is acceptable to the committee. Is that acceptable to you, Mr Morin-Strom?

**Mr Morin-Strom:** It is fine if the ministries are represented, yes.

**Mr Reyecraft:** I am not sure that is fair to the opposition parties. I assume they want to talk to the representatives from the various ministries before they make final decisions on what amendments they are going to propose and what positions they are going to take on government amendments. To ask them to go through the discussion stage with the ministries Thursday morning and be in a position to start clause-by-clause Thursday afternoon just may not be entirely fair.

**The Chair:** Let me have something else put on the table by Ms Freedman about our prebudget discussions. Lisa, maybe you could tell the committee about the call from the Treasurer's department.

**Clerk of the Committee:** Okay. This is to further complicate things. The committee did make a decision that it wanted the ad for prebudget placed in the newspaper the first week of October, with prebudget consultation to start with a briefing in Treasury on 16 November and public hearings to start on 23 November. That ad was not placed because in the first week of October there was no chair of this committee; there was not a chair of this committee until about 10 minutes ago, so the ad could not be placed.

I received a call this morning from the Treasurer's office and it is trying to co-ordinate the release of its grey book with the beginning of this committee's hearings, so that will kick off the whole prebudget consultation. They are prepared to get their grey book published and ready for us when we are ready to go, and they will still aim for the 16 November date, but if the committee wants to reschedule prebudget consultations, that is something else that should be considered, because the ad could go as early as next week or we can change the dates in the ad.

**Mr Ferraro:** I am not sure how helpful this is going to be, but I am just wondering, vis-à-vis Mr Reyecraft's suggestion and the opposition members' considering it, if indeed we were able next Thursday, speaking hypothetically, to deal with the questioning of various ministry people

in the morning session and if indeed we were able to start clause-by-clause, would that necessarily preclude, even if we went past a clause, if there was consent from the committee, facilitating an amendment on the part of the opposition members at a subsequent time?

**The Chair:** You would have to stand it down, I guess, to come back if there were some concerns. I do not know that you would want to be passing clauses and then going back and opening them up again.

**Mr Ferraro:** It could be done, though, could it?

**The Chair:** With unanimous consent.

**Mr Ferraro:** The committee can do whatever it wants, as far as I understand.

**Mr Daigeler:** It is obviously difficult to schedule things, because some of the bills have not been referred. We are talking a little bit on speculation. It could well be that perhaps there will not be second reading next week; that that will not be completed. That is a possibility as well. But I am just giving an indication that we will most likely have to deal with the proposed employer health levy and the commercial concentration tax, and that probably will require a fair amount of work.

**Mr Morin-Strom:** I do not see why we cannot do this questioning on Bill 20 next week and then do clause-by-clause the Thursday after. I do not see why it cannot be done between the two dates, and then we will go on to other things.

Mr Daigeler is throwing his things into the pot. I keep hearing that the pension bills have to get through this committee before the end. Maybe they are going somewhere else, but last time we met we had understood that we were going to have this, and we were looking at the possibility of pension bills and then we have got budget, but if they are throwing more and more bills at us I think we have a problem.

**The Chair:** I guess we can only deal with what is in front of us.

**Mr Reyecraft:** I understand that the pension bills are going to the standing committee on social development and that there has been an agreement among the House leaders that that is the committee to which those should be referred.

**The Chair:** I heard that too. Could I suggest that we go on the basis that we have agreed: that we will try to get the political representatives, as the direction of this committee was laid out in August, to attend next Thursday and we will set aside morning and afternoon for those discussions? If there are changes or new bills sent our

way then the steering committee will have to meet, I guess, to discuss scheduling changes, if that is agreeable to the committee.

**Mr Morin-Strom:** We know that no bills can be addressed next Thursday.

**The Chair:** Right. I am talking about after that.

**Mr Daigeler:** One of the complications is that I think it is important that the Minister of Revenue (Mr Mancini) be there when and if the employer health tax is referred. The minister will be away for one week in November. I am trying to take that into consideration, if the committee can be a bit flexible there. That is why there is a bit of a time squeeze here.

**The Chair:** Sorry, but could I just interrupt? We do not know that we have got that. We are trying to make decisions based on rumours. I think what we have to do is make decisions based on the facts before us. That would be that we will deal next Thursday with the 30 August request of this committee. If an order comes down from the House requiring us to deal with the employer health tax and we are instructed to do that, then presumably that is what we will do, but I think we must deal with what is in front of us, if you are agreeable to that.

1620

**Mr Reyecraft:** Mr Chairman, I would like to support your suggestion about the next two Thursdays. Beyond that, I think this committee is going to have to start using the subcommittee/steering committee approach to organize its business. Because there are so many uncertainties at this stage, I do not think we can plan the rest of the year at this point.

I might also say I think the committee should rethink one of the decisions it made at its last meeting, when it agreed it would not sit in January. It is nice to be able to tell all the members on a committee that they can plan their January. I am sure the members of all other 10 standing committees would like to do the same thing. If they all make those kinds of decisions, the House leaders and whips who have to organize the hearing process through January, February and March will have their hands tied and be unable to arrange a schedule. Having had some experience in trying to work out those schedules, I know it is not an easy task for them. I question, quite frankly, whether we can bank on that commitment to avoid January sittings.

**The Chair:** Okay. Before we discuss that change, which I believe would require unanimous consent of this committee, could we have

an understanding that we will meet next Thursday with the parliamentary assistants and staff or whoever we can arrange to be here from those various ministries to discuss primarily the opposition questions that have been requested? The following Thursday will be clause-by-clause of Bill 20, pending any changes, which will then require a subcommittee meeting if we are directed to change things. This committee does order its own business, unless directed otherwise by the House.

**Mr Daigeler:** Could we say at this point that next Thursday we will be having representation from the different ministries, as you just suggested, and leave the rest up to decision next Thursday?

**The Chair:** We can do that, I guess, but it would seem to me that the plan should be then to go to clause-by-clause.

**Mr Daigeler:** Could we leave that open at this point?

**Mr Morin-Strom:** I do not see any reason for avoiding that. I do not see that one week will make any difference. If it does not look as if it is going to take a long time to do the clause-by-clause, I do not know why this one week and starting the other one is going to make any difference.

**The Chair:** I think we all know, including opposition members, that the government bills come first and if we are ordered by the Legislature to deal with a bill, we will do so.

**Mr Morin-Strom:** Yes, let's wait.

**The Chair:** But we are not at this stage.

**Mr Morin-Strom:** We will deal with that next Thursday, if we get that order.

**The Chair:** Right. Okay, we will go on that basis. Do you agree with that, Mrs Cunningham? I think that is reasonable.

**Mrs Cunningham:** Yes. Will we lump all ministries together?

**The Chair:** The question has just been put, which we should have an opinion on here, do we want all of the political and staff people in together from those ministries or do you want to schedule an hour for Municipal Affairs, an hour for Health or whatever? Are there any comments on that?

**Mr Ferraro:** It is only two hours.

**The Chair:** So have them all together.

**Mr Ferraro:** Sure.

**The Chair:** Everybody in the barrel. Okay, good.

**Mr Morin-Strom:** Some are not available in the morning. We may be able to see just one or two in the morning, if that is all that is available.

**The Chair:** It is not just two hours; we are setting aside the whole day. We are meeting morning and afternoon next week. Why do we not have the clerk contact them to schedule morning and afternoon and whenever it is convenient for them to be here?

**Mr D. R. Cooke:** Mr Chairman, it seems the hospital issue is kind of a single issue and that might be a little separate from the other two. The other two are a little intertwined, because some of the issues overlap the Ministry of Municipal Affairs and the Ministry of Education.

**Mr Ferraro:** I am really ambivalent, but I would say this, and I am not sure everybody will agree: if they can all be here for the morning—I do not want to prejudge the number of questions, but if you have only one delegation I suggest we are going to take that delegation probably for an hour and three quarters. Schedule them all in the morning and if you do not get to them, then they can come back, but if you can get to them, then we would have our afternoon free for other business. I respect the fact that they are busy but, quite frankly, we are the elected representatives and it should run around our schedules.

**The Chair:** We will invite them all to attend and see how we make out. If there is a problem with any of that, what I will do is contact members of the steering committee by phone and we will discuss it. If it is necessary to have a meeting, we will have a meeting, but I do not believe in meetings unless we have to have them. I will phone if I have any difficulty. Mr Morin-Strom, are you happy with that?

**Mr Morin-Strom:** It sounds fine.

**The Chair:** Okay. Anything else? Oh yes, the January meeting issue. Any thoughts on that? I was not part of that decision.

**Mr Morin-Strom:** I think the resolution was fine in terms of the thrust. It is not a definitive thing; it is just trying to get our oar in the water first in terms of our preferred time. If we put our submission in first that we would prefer to meet in February rather than in January, we have a chance of getting it. Obviously, the House leaders make the final decision.

**Mr D. S. Cooke:** The problem now, though, is that we have so much on our plate. We did find in the past that it was valuable to try and get into the prebudget activity as quickly as possible in the fall. We had made a decision to try and actually have hearings if possible even before the

grey book comes out from the Treasury at the beginning of December. That does not sound as if that is terribly feasible, but in view of all that it makes sense to not prejudge the problems of the whips.

I think it was Mr McCague who wanted to book a holiday in January and I understand he is not on the committee any more, so the problem seems to be solved.

**Mr Reycraft:** We cannot change the resolution without unanimous consent.

**Mr D. S. Cooke:** We have to have unanimous consent. Do we have it? I guess that is the question.

**Mr Daigeler:** It was a nonbinding one, anyway.

**The Chair:** It appears not to have been nonbinding, from what I can see.

**Mr D. S. Cooke:** It was a request.

**Mr Morin-Strom:** I have to catch a plane.

**The Chair:** "It appears not to have been nonbinding." Does that make it binding? A double negative.

**Mrs Cunningham:** It means you fail the test.

**The Chair:** My mother-in-law would be upset. What do I hear, then, that that is our request to the House leaders?

**Mr Ferraro:** It is up to them to decide.

**The Chair:** All right, fine; we will deal with that. Any other business?

**Mr Ferraro:** I think we have to deal with what the clerk indicated about advertising prebudget submissions. I suggest, with respect to the committee, that we do it sooner as opposed to later.

**Clerk of the Committee:** If we can get the ad placed by next week, it would still have the same deadlines that were agreed upon by the committee, which would mean the deadline for requesting an appointment for an oral submission would be Friday 10 November. Hearings could start 23 November and written briefs would be accepted throughout the public hearings. That was the decision that was made.

**The Chair:** Do members have a copy of this? The decision that was made was that hearings will start 23 November. Again, that is obviously subject to orders that we receive on whatever legislation is rumoured to be coming our way.

**Mr Daigeler:** Could we take a look at that again next week, once we know more of what is coming down?



**Mr Morin-Strom:** We have to get the ad in if we are going to give them that kind of a deadline.

**The Chair:** The ad can go in, I would suggest. The clerk has suggested as well that if there has to be a change we would simply make a change of the time that the people come in. But I think the ad should go in.

**Mr Morin-Strom:** You say we are hoping to

start by 23 November. Does that mean we are not sure we will be able to?

**The Chair:** Yes. We will get the requests for appointments and we will deal with them. Okay? All right. If that direction is clear to you, then we will put the ad in. I declare the committee adjourned.

The committee adjourned at 1629.

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**STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS****Chair:** Mahoney, Steven W. (Mississauga West L)**Vice-Chair:** Ferraro, Rick E. (Guelph L)

Carrothers, Douglas A. (Oakville South L)

Cunningham, Dianne E. (London North PC)

Daigeler, Hans (Nepean L)

Haggerty, Ray (Niagara South L)

Hošek, Chaviva (Oakwood L)

Mackenzie, Bob (Hamilton East NDP)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Reycraft, Douglas R. (Middlesex L)

Runciman, Robert W. (Leeds-Grenville PC)

**Substitution:**

Cooke, David R. (Kitchener L) for Mr Carrothers

**Clerk:** Freedman, Lisa**Staff:**

Anderson, Anne, Research Officer, Legislative Research Service









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## Official Report of Debates

### Legislative Assembly of Ontario

**Standing Committee on Finance and Economic Affairs**  
Development Charges Act, 1989

**Second Session, 34th Parliament**  
Thursday 26 October 1989

Speaker: Honourable Hugh A. Edighoffer  
Clerk of the House: Claude L. DesRosiers

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 26 October 1989

The committee met at 1013 in committee room 2.

### DEVELOPMENT CHARGES ACT, 1989

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

**The Vice-Chair:** Ladies and gentlemen, in that I see a quorum, maybe we should commence this meeting. I should point out to committee members that the Chair is somewhere on the Gardiner Expressway doing some in-depth study of the traffic problems for the Minister of Transportation (Mr Wrye). Having said that, I would like to thank all the parliamentary assistants and their staffs for being here this morning, and conceivably this afternoon. At this particular point, as we all know, it is questions, and hopefully some answers will be provided to the questions of members of the committee.

Both Mr Grandmaitre, the parliamentary assistant to the Minister of Health (Mrs Caplan), and Mr Keyes, the parliamentary assistant to the Minister of Education (Mr Conway), are here. In particular, seeing the chairman walk in, I would like to point out to the questioners, if you have questions concerning health, you can ask those questions initially. I understand Mr Grandmaitre cannot be here this afternoon.

We will just open up the questions, unless Mr Grandmaitre or Mr Keyes would like to make a preliminary statement.

**Mr Grandmaitre:** Carry on, Mr Chairman.

**Mr Keyes:** I will be here at your disposal this afternoon as well as this morning. Happily this afternoon I will have three ministry officials with me who will also be prepared to respond to any questions.

**Mr D. R. Cooke:** We have, I think, a very clear-cut question for the Ministry of Health, and perhaps we can deal with that issue first and up front, and then if there are other issues, we can deal with them later. That issue is, the question was raised by the Ontario Hospital Association before our committee as to whether or not hospitals, and perhaps other health facilities, should or could be included in the ambit of Bill 20. We have had some debate on that, and we would be interested in knowing your position.

**Mr Grandmaitre:** I think the Treasurer (Mr R. F. Nixon) has made it very clear, and the Minister of Health has made it very clear, that hospitals will not be included in this bill. Those are my comments. I am following through, not on the orders of the Treasurer, but I think the feeling of the ministry is that hospitals are excluded at the present time.

**Mr D. R. Cooke:** I can understand this myself, because I presume it would be based on the fact that a community could go ahead and build a hospital with funds from lot levies without the ministry having the funds available to finance the ongoing operation of a hospital. Is that part of the concern?

**Mr Grandmaitre:** The Ministry of Health and the community have always worked in a partnership to build hospitals. We think that the formula has proven to be the best formula in the past and we would like to retain that formula, the Ministry of Health plus the community. We think that this partnership, again, has proven to work very well in the past.

**Mr D. R. Cooke:** This involves, usually, the ministry having some input into capital funding, actual financial input, and that will continue.

**Mr Grandmaitre:** Exactly. Also, I may point out that it does not prevent municipalities from levying tax dollars for hospitals.

**Mr D. R. Cooke:** Thank you.

**The Chair:** Other questioners of either gentleman?

**Mr Morin-Strom:** Rather than going into the detailed testimony that we had during the hearings, I would just like to refer to the summary of recommendations that our researcher has provided to us previously with respect to all that testimony we received over the summer. I guess it has to do with page 75 of this document, regulation 7, and there was a request, not just from the Ontario Hospital Association but from a number of areas, including the regional municipality of Peel, which made the point that "as written, this section would allow the municipality to impose development charges for the purpose of making grants to a health care facility for capital construction of new facilities or expansion of existing facilities."

That is as previously written. Now, "this section would disallow the imposition of development charges on lands used for hospital facilities. This is in keeping with the present region of Peel policy. It is our fervent hope that this is the intention of the draft regulation and that this will be confirmed by the Treasurer of Ontario in a public written statement."

Then there was another statement, the Ontario Hospital Association: "Regulations made under the Development Charges Act should not prohibit municipal use of development charges for hospital capital funds."

Then it goes over, for municipal finance—who is that?

**Ms Anderson:** The Association of Municipal Finance Officers.

**Mr Morin-Strom:** "The Ministry of Health should be requested to review its current policy to ensure that an alternative funding source is provided by the province of Ontario to offset the deficiency in local funding resulting from the elimination of hospital lot levies."

Then perhaps the most effective, or most concerned presentation was from Dufferin county, stating:

"Section 7 of the municipal charges portion of the proposed regulations to Bill 20 should be deleted. The municipal share of capital funding of hospitals should be specifically included as an eligible item for inclusion in development charges bylaws.

"In the event that the province, because of unstated policy goals, insists on excluding hospital capital funding in general from local development charges bylaws, then the proposed regulations should be amended to allow for local development charges for at least those hospitals now in the advanced planning stage. This type of 'grandfather' clause could contain an expiry date of up to 15 years.

"In the event that the province will not entertain any change to Bill 20 with respect to capital funding of new hospitals, the regulations to the Public Hospitals Act should be amended to allow for increased provincial funding for new hospitals."

There are many areas of the province that are facing the need for expanded hospitals solely because of expansion of their population and new development in those areas. It seems to me that the principles that are behind this bill are being violated in the case of hospitals. The principle, as I understand this bill, is that in areas of new infrastructure being mandated from the province in order to service new development in growth

communities, or in the area of new schools required as a result of new development, there is a recognition that those developments should pay a share of that infrastructure and that the burden should not be put on the existing property taxpayers, who are not the cause and the impetus for the need for those new schools or for the need for the new infrastructure in terms of services. The same, I think, would have to apply in the case of new hospital beds that are required in growing areas such as Peel and Dufferin counties and the other growing counties surrounding the city of Toronto.

I would like to know how the Ministry of Health proposes that the local share of funding of new hospital beds be undertaken in those areas where the new beds are solely the result of expansion in terms of new development and expanding population.

**1020**

**Mr Grandmaitre:** Well, Bill 20 relates to new growth areas only and I do not think we should mix the two. The Ministry of Health is not denying those municipalities that have reasonable growth, if I can use the word, their fair share of the capital grants but, again relating to Bill 20, we are relating to new growth. Again, I want to underline the responsibility of the ministry and the community to work in partnership to raise those funds. I think we have shown in the past that this government is willing and able to work with these municipalities that have little growth if expansion is needed or new facilities are needed. We have responded in the past and we will continue to respond.

**The Chair:** Mr Morin-Strom, I have a supplementary. Do you want to entertain it at this time?

**Mr Morin-Strom:** No, I would like to pursue the last point. You are talking now about the areas with little growth, but the problem is in the areas with rapid growth, where there is a rapid multiplication in the number of people in those areas and the need for whole new hospitals or major expansions of hospitals to service counties such as Peel, Dufferin, Durham, and York. How do you propose that the local share of the cost of those hospitals be raised?

**Mr Grandmaitre:** If we are talking about new growth, Bill 20 will respond to the needs of that new growth, and I want to emphasize the partnership between the Ministry of Health and the community.

**Mr Morin-Strom:** I do not understand how you think Bill 20 is going to respond to new



growth. My understanding is you are explicitly preventing the financing of new growth through this bill when it comes to the cost of hospitals. It is explicitly prevented; it is not being assisted.

**Mr Grandmaitre:** As I said, the formula of the partnership existing between a community and the Ministry of Health has worked well in the past. We will continue to use that formula. Municipalities located in the new growth areas that you have pointed out will avail themselves of the development charge bylaws and that is the way the Ministry of Health intends to provide those services.

**Mr Morin-Strom:** Maybe we could get clarification from the researcher. My understanding is this prevents them from availing themselves of this opportunity.

**Ms Anderson:** That is my understanding.

**Mr Reyecraft:** I think it was made clear to us during the hearings that the purpose of the regulations as they are drafted is to prevent municipalities from using lot levies as a source of funds for new hospital construction. You made reference, Mr Morin-Strom, to the submission by the regional municipality of Peel and I recall that presentation. The officials from the Ministry of Municipal Affairs responded at that time indicating that, in effect, an error had been made in drafting the regulations. Their intent was that the regulations would prevent municipalities from using lot levies to fund hospitals rather than permit it, as Peel has indicated in Ms Anderson's summary.

**The Chair:** Is there anyone here from Municipal Affairs?

**Mr Mackenzie:** That is exactly the argument my colleague has been making.

**Mr Morin-Strom:** And is exactly the contrary to what the parliamentary assistant says when he says municipalities are going to be able to avail themselves of this opportunity.

**Mr Grandmaitre:** New growth.

**The Chair:** Okay, let's not get into dialogue on it all over here. Mr Morin-Strom, you still have the floor.

**Mr Ballinger:** Can I just ask a point of clarification just on the format of today?

**The Chair:** What is it?

**Mr Ballinger:** We have got three sections, four including finance, so there are four of us here with resource staff and I am the rookie here and, yes, Bob, I want to be myself, so I just sort of want to understand—

**The Chair:** We are going to try to not allow that.

**Mr Ballinger:** We have a day here today, Mr Chairman, with the greatest respect. We have tabled some 51 motions, as you are aware, and I was hoping today would be an opportunity that we could get into each and every one of those while we have the resource people here, so that members of the committee could ask questions; certainly go through the health unit. With the greatest respect, Mr Chairman, there is going to be a time to debate the definition. I was hoping that this was a day when we could sort of help each other. In fact, someone used the term "education." I would hope we could do that today by virtue of—

**Mr Mackenzie:** How do you proceed without interpretation?

**The Chair:** Excuse me. Perhaps I could clarify. Today was not a day to go clause-by-clause or to go through the individual amendments, today was a day that was requested by opposition parties to have the political representatives of the various ministries here to answer questions on policy. We have two of our parliamentary assistants before us as witnesses and two others and you, Mr Ballinger, from Municipal Affairs and Mr Reyecraft is also here from Treasury to answer questions of all members of the committee, but it was specifically requested in the previous committee, before I assumed the chair, that this day be established to allow for questions with regard to policy. I think next Thursday is the day we will go into the clause-by-clause and all of the amendments, etc, and get down to the details.

**Mr Ballinger:** Everybody is here who should be here to have a reasonable discussion today, and I hope at the end of the day all members of the committee walk away feeling that they had access to the information, that is all.

**The Chair:** We would hope that will happen too. Mr Morin-Strom, do you have any additional questions?

I realize that I was certainly not part of the hearings that went on in Bill 20. As such, maybe I am somewhat at a disadvantage, but I do not think we want to get into cross-firing of points of view. We are here to get information and policy positions from the political representatives of the ministries.

You have the floor.

**Mr Morin-Strom:** I just confirm that the intention really was to address quite broad issues today, as has been led off by Mr Cooke. The one

issue that had been a prime reason that we wanted an opportunity to focus was the concerns we had heard with respect to the tremendous cost burden being put on municipalities to fund the local portion of hospitals in those areas where those hospitals are required solely because of new development and expanding populations in regions such as Peel, where whole hospitals are required to service the population growth in those areas, and the concerns of those regional municipalities that they would not be able to afford those costs without having access to lot levies for those major capital projects.

I cannot recall the figures, but the kinds of percentage increases that they had mentioned as having to go on the property tax burden if they had deficit financed the local portion were substantial. I do not know if the researcher perhaps—one figure we have here in a submission from the county of Dufferin said: “The importance of this decision cannot be overemphasized. The effect of adding \$1 million to the relatively small property tax base of Dufferin county was to increase the 1989 county levy by 50 per cent.”

#### 1030

If a county is facing a 50 per cent property tax increase solely to fund the debt financing on new hospital beds it will require to service that increase in population, it is facing a very major local crisis in terms of property taxes. Their hope was that the province would open up these regulations to allow a recognition of that cost burden coming on to their areas. If not, what is going to be the alternative? I wonder if the parliamentary assistant can give us any alternative for these areas.

**Mr Grandmaitre:** I am sure that the ministry and the government recognize the pressures on these municipalities but, again, I must emphasize the partnership that exists at the present time, or the formula that exists at the present time, between the community and the Ministry of Health. I do not think our municipalities or our communities have suffered in the past, at least in the last five years, anyway.

The government has demonstrated very forcefully its intention to fund not only health care services but education as well. We think the present formula that is in place is working well and we will continue to use that formula.

**Mr Morin-Strom:** The problem, though, is not with the province funding its two thirds share. The problem is this other one third share. You cannot talk about continuing the process, because the old process, under lot levies which were not clearly regulated, allowed the opportu-

nities for counties to impose lot levies for that purpose. Now you are going to explicitly preclude that opportunity. They see what had been an opportunity for them being taken away.

**Mr Grandmaitre:** I understand what the member is saying but, again, I must emphasize that the present formula is adequate and we intend to continue with that formula. Mind you, in some areas it may be more difficult than others, but I think the ministry will respond to those needs if those needs are more noticeable in that special area than another. Again, I must emphasize the partnership that exists and we want to maintain that partnership.

**Mr Pope:** Just to put it into some context, the draft regulation that has been presented with respect to this bill, section 7 on page 3, the draft regulations 7(a) and 7(b) exclude development charges with respect to services provided to a health care facility, and it refers to schedules. I presume those are Ministry of Health schedules and Ontario regulations.

On page 1 of the submission of the Ontario Hospital Association—do you have the OHA submission?

**Mr Grandmaitre:** Yes.

**Mr Pope:** Page 1, item one, indicates the scope of the problem that I think Mr Morin-Strom is trying to get at, which is that, as the OHA indicates in its presentation, there are five regions and two municipalities outside of regions which already impose development charges for hospital purposes. It lists them and it says that they represent 26.5 per cent of the total provincial population.

I think that is the extent of the concern in those very specific areas about what is going to happen to them and perhaps to their long-term lot levy policies that are already in existence for more than the two years or more than the one year which is outlined in the act as being the cutoff point. It may affect existing plans as well as projected plans. I think that is the extent of the concern that we are trying to raise in the committee with you.

I have a lot of problems with the principle of lot levies anyway, which colours my thinking on it, but in any event, if we are going to have lot levies this appears to be a major issue confronting a quarter of the population of the province. It is not just new hospitals that may be created in the future that will not have this alternative now, but it will be in fact existing fund-raising campaigns that may be of a long-term nature.

There is no clear statement, I believe—and I may be wrong; I never wanted to make one when



I was Minister of Health—on the funding principles for new hospital construction or hospital expansion. Generally it is the best deal you can negotiate from local contribution versus provincial contribution, and if that is going to affect, for instance, priority of hospital construction, then we are down into the area where the financial means of a community based solely on its existing tax base is going to be determinant of whether or not you get a new hospital. I think there is a concern that we do not roll back to that kind of system.

I know that folks in the Ministry of Health have been concerned about it for a number of years, but it is still there. I think it is something that the Ministry of Health—and I am not saying you necessarily have to do it today—has to clearly address in more concrete detail than you have been allowed to do today in front of us. Some clear direction on capital allocations has to be forthcoming in order to deal with the Ontario Hospital Association brief.

For instance, in a place like Timmins, it has an \$11-million local allocation for its hospital construction project that you are aware of. When you were in Timmins a couple of times, I think it was brought to your attention. They are at over \$10 million now. People have been working at this campaign for five years, they have been working darn hard and they are close to their goal, but it may be a temptation to want to take advantage of the existing provisions and maybe do a lot levy for hospital purposes, to bring it over the top. That would be in addition to the substantial commitment of the municipality under the general tax policies that it now has. They allocate so much a year to the hospital now out of the general tax dollars that they do collect.

That is the nature of the problem as I see it. I understand that you cannot make that kind of statement here today, but somehow, before Bill 20 is finalized, someone has got to clear the air on these existing problems that have been brought to our attention by the OHA and give some clear direction about future funding sources, capital funding sources.

I say that, because I do not necessarily agree with the Ministry of Health's mix of institutional and noninstitutional health care and the priorities. I say that coming from my particular region of the province, where I see a deficiency in institutional care that cannot be met in the major centres of the province because of utilization and waiting lists and other things. It may be a partnership, but when the final approval comes from the Ministry of Health, it has the final say,

regardless of how diplomatic it is and how conscious it is of the need to have a partnership type of arrangement and decision-making process.

If they say there are only going to be 200 beds at the Timmins District Hospital, there are only going to be 200 beds and the architect will redraw it for the fourth time. To fall back on the position that it is a partnership, I guess I have to worry about and I guess the question I have for you, without making a speech—

**Mr Ferraro:** You mean a longer one.

**Mr Pope:** All right, I will make a speech. No, the question I have for you, I guess, is: What assurance do we have in this so-called partnership that local priorities and local abilities to meet those priorities in a financial sense are going to be respected? It cannot just come from general municipal tax dollars, or is that where the Ministry of Health wants to leave us, that they can only fund out of the general tax levy? That has some consequences on the taxpayer, too.

1040

**Mr Grandmaitre:** I was not privy to the previous meetings that took place between the Ontario Hospital Association and the Minister of Health (Mrs Caplan) or even the Treasurer (Mr R. F. Nixon). I do not know if our staff has anything to add on this one. I am sure it was brought to the attention of the Minister of Health and the Treasurer, but again, I cannot provide the member with great satisfaction. I am sorry, I cannot.

**Mr Pope:** Okay.

**Mr Grandmaitre:** I cannot commit the Minister of Health or Mr Nixon to more dollars, but I have made a note of your concerns.

**Ms Hošek:** I was very interested in a question that Mr Jackson asked in the time that the various groups came forward to this committee during the summer, I gather. In my reading of the transcripts, it was a question about the impact of the lot levy on rental charges. I guess the appropriate person to ask is the parliamentary assistant from Municipal Affairs and Housing. Has any research been done on how one could answer that question, what would be the impact of development charges on not the supply of rental housing but the cost of rental housing? Was any work done on that?

**Mr Ballinger:** First of all, I apologize. I am the rookie. I did not participate either in any of the hearings, but I am very pleased to be here this morning.

Dan and John are both here with us from the ministry: Dan Cowin and John Chipman, John from the legal branch and Dan from the municipal finance branch. Danny, I will address the question to you, I guess. Has there been some discussion at this stage as it relates to—

**The Chair:** Do you want to come up? We need you at a microphone for the purposes of Hansard. For the purposes of Hansard, give us your name and so on.

**Mr Cowin:** My name is Dan Cowin. I work at the Ministry of Municipal Affairs, municipal finance branch. We have for some time monitored on the municipal side what the levies were for upper-tier and lower-tier purposes. We have had estimations from the Ministry of Education as to what the levies would be in most of the high-growth areas, as near as they could tell.

We were unable to do the detailed kind of economic work that would be required to find out in each particular market to what extent these costs would be passed on, but we do have an idea of what the aggregate costs would be, and if an assumption was made that they would all be passed on, then we have some sense of what that would be and simple calculations to determine how that translates into monthly rental fees and so on. The precise pass-on depends on the market conditions from place to place, and land, obviously, on the quantum of the levy.

**Mr Pope:** Are you saying that in the absence of mitigating market conditions you could calculate the effect on a lot levy and that there would be a positive impact, or a negative impact, if you are a tenant? Your rent is going to go up because of lot levies.

**Mr Cowin:** I think if you make an assumption that some part of a levy, or under certain market conditions all of a levy, could be passed on, then those calculations based on those assumptions were done. We have some ballpark figures for the high-growth places.

**Mr Pope:** Do you have some figures?

**Mr Cowin:** I do not have them with me here, no.

**Mr Pope:** Could you produce some for the committee?

**Mr Cowin:** I think we could produce something. They are based on some simplified assumptions, of course, rather than any kind of detailed market analysis.

**Mr Pope:** We understand that you are going to exclude market considerations from it.

**Mr Mackenzie:** Just very briefly, would those figures, if you have them available, be available on a community or regional basis?

**Mr Cowin:** To some extent, I suppose that could be done based on existing levies. We would not pretend to make any assumptions as to what the levies would be in a year or two or whatever, under Bill 20, for example, but based on the information we have—I think July 1989 lot levies are our most recent information. We would base it on that.

**Mr Mackenzie:** It would seem to me to be reasonably important that if that information does exist as to whatever information we have on the potential impact, it would be much more useful on a regional basis.

**Mr Cowin:** We can make an effort to do that.

**Mr D. R. Cooke:** It would seem to me to be reasonably irrelevant that you have these figures. You are saying these figures are based on nongrowth market?

**Mr Cowin:** What we have is existing lot levies, for those municipalities which have lot levies. If you make some simplifying assumptions about what an education levy might be, if indeed those places impose education levies—and you obviously have no way of knowing with certainty—but if you assume that they would impose an education levy in the area of \$3,000 to possibly \$5,000, and you make certain assumptions about how that would get amortized over 20 years at some given interest rate and so on, it is a reasonably simple process to figure out what the implication on a mortgage or a rental unit would be.

**Mr D. R. Cooke:** But you are not figuring in the growth of the market and the growth of the cost of housing.

**Mr Cowin:** We would not be in a position to take in all of the various market conditions from place to place in the province. This would be a very simplified kind of analysis.

**Mr D. R. Cooke:** The pattern of evidence we have heard seemed to indicate that the only parts of the province that are going to be seriously considering lot levies are growth areas. So the figures you come up with would not be appropriate to apply to any particular area, would they?

**Mr Cowin:** If we had, for example, an assumption that the total levies for all purposes would be \$15,000, and, as I say, amortizing over a certain period of time at a certain interest rate, you would come up with a specific number that this would cost you X dollars extra per month. What we would not have for you is what percentage of the selling or buying price of a house that might represent. However, in the



greater Toronto area, where the levies will be higher, it might represent—let me just leave it at that. We do not have the information as to what the average cost of the houses are in the areas, so we cannot take that number and compare it to something like that.

**Mr D. R. Cooke:** Some people may disagree with me, but I think we can assume that in a lot of high-growth areas, a lot of lot levies are going to be assumed by either the real estate people or the developer. In that case, nothing would be passed on. You are factoring that right out of your assumptions.

**Mr Cowin:** That is what I simply cannot tell you. That is the kind of very sophisticated analysis which depends on a detailed analysis of sort of the markets from place to place in the province. I indicated that analysis was not done. But you are absolutely right—

**Mr Pope:** I will give you 10 to 1 odds on that.

**Mr Cowin:** —in certain situations, none of the levy may be passed on.

**Mr D. R. Cooke:** I would submit that these figures would do more harm than good in bringing any light on the issue of whether rents would go up. We do not really need them.

Interjections.

**The Chair:** Excuse me, I have a rather extensive list and I have supplementary questioners.

**Mr Pope:** On a point of order: I understand that he is going to produce the document. Am I wrong now?

**The Chair:** I believe he has said he could produce something.

**Mr Cowin:** I said that I could produce something if the committee requested it.

**Mr Pope:** I do not think you said that. I think in response to my question, you said you would produce the document, so I would like to have it, thank you very much.

**Mrs Cunningham:** My question is: How does one have input into the growth-related capital cost? Obviously, the municipalities are going to be very interested, as far as possible, in keeping the cost of the lot levies down, which will relate to the growth-related capital cost. They will be discussed, hopefully in public meetings, and the same will be discussed in school board meetings.

**Mr Cowin:** Is the question related to the analysis?

**Mrs Cunningham:** No. The question is: Who has the input? Who am I supposed to be relying on, as we take a look at the definitions in the regulations as they relate to the collection of

school boards? There are all kinds of assumptions in here, even as to the extent of how school boards will invest their money. Who has the input?

1050

**Mr Cowin:** I leave the school board situation to my colleagues from the Ministry of Education. On the municipal side, what we would envisage happening is a situation where municipalities, through their engineers' department, or possibly through consultants but they would work very closely with their engineers and other departments, would have to make an estimation in a fairly detailed fashion of the capital costs they would have to incur over the relevant time horizon. That is what would get incorporated into the calculation.

**Mrs Cunningham:** Specifically, will members of the public and home builders have—is that the intent of this bill?

**Mr Cowin:** The intent of the bill is for the municipality to do the initial work and then explain what it has come up with to the public, including the developers and the builders. If the developers and builders feel the costs that have been included in the calculations are not permitted under the legislation, they have the right to appeal to the Ontario Municipal Board.

**Mrs Cunningham:** So on the final resolution in this whole process, it is an appeal to the OMB.

**Mr Cowin:** There is obviously always scope for negotiation between developers and municipalities. We know of some municipalities that are going to bring in developers and have information sessions. If some charges seem to be out of line, then some of this may be settled without an appeal to the OMB. An appeal to the OMB would be the last resort.

**Mrs Cunningham:** So there is no intent on behalf of the government to say that there should be a negotiation process with the people who are basically the ones who are going to be establishing the cost of a house, the home builders, for instance. It was the intent in other legislation that we have been party to in the last 18 months that there was direction as to who should be party to—

**Mr Ballinger:** It is called local option, Dianne.

**Mrs Cunningham:** Yes.

**Mr Cowin:** It is left to the local—  
Interjections.

**The Chair:** Excuse me. I would like to stay on the topic of the supplementary question to Chaviva Hošek's question.

**Mrs Cunningham:** I think I have had my question on input answered, so I will not push it any more.

**The Chair:** All right, because I have you on the list for regular as opposed to supplementary. Still on the supplementary list I have Mr Reycraft and Mr Pope.

**Mr Reycraft:** I want to ask a question or two about the study Mr Cowin has agreed to provide. Did I understand you to say that the study shows the relationship between development charges and residential rents?

**Mr Cowin:** Let me be clear about what we have and what we can do by way of extrapolating from it. We have a list of what the development charges are on the municipal side as of July 1989 for a number of the large, high-growth municipalities. Assuming an education levy of a certain amount, and I can talk with my colleagues there as to what relevant amounts might be appropriate, we could come up with a total aggregate number. Making assumptions on how long that would be amortized and at what rates, you can certainly come up with an annual amount that would be incorporated more easily into the mortgage of a home, for example.

On the total price of rents, it is going to be considerably tricky. We could do sample analyses, I suppose. I am not sure we can get the rental component out of that as easily.

**Mr Reycraft:** Then it seems to me that the study is going to show the relationship between development charges and the construction cost of rental units, not necessarily the rents.

**Mr Cowin:** What in essence is going to be amortized is the amounts municipalities are already levying for and that presumably is what they anticipate to be their growth-related capital cost.

**The Chair:** Both would start from base zero as opposed to—in other words, if a municipality is already charging \$10,000 in levies, presumably somewhere that is built into those rents.

**Mr Cowin:** Oh indeed, absolutely and all the way through on the municipal side. That is one reason why for much of the process, I suppose, the overly detailed analysis of this nature was not deemed as important, and that is because municipalities have been in the levy business for a long time.

**The Chair:** That is right.

**Mr Cowin:** As you quite rightly point out, those costs of houses in those areas already incorporate those costs to the extent that they are

incorporated. If they are not incorporated, they are not there. If they are, they are.

**The Chair:** Mr Pope, are you okay? Back to our regular list.

**Mr Ferraro:** When we first started talking about these lot levy charges and all the rest of it, I was concerned, as were others, about the list of exemptions. I am not necessarily sure who should address this; perhaps both the Ministry of Municipal Affairs and the Ministry of Education. But my concern, of course, was based on the fact that the understanding, according to the original draft of the bill, made certain exemptions—

**The Chair:** Excuse me. Mr Keyes, do you want to join us at one of these seats? This may relate to your ministry. Sorry, Mr Ferraro.

**Mr Ferraro:** That is fine. As I understand it now, and hopefully the delegation can clarify this for me, the amendment being proposed says, "No land, except land owned by and used for the purposes of a board as defined in subsection 29(5a) or a municipality, is exempt from a development charge under a bylaw passed" and so forth. Then you go to the education side and under subsection 29(5) it says, "No land, except land used for the purposes of an elementary or secondary school...or land owned by and used for the purposes of a municipality, is exempt."

That would mean that they can then charge either on the municipal side or on the education side for absolutely everything, save and except school buildings and buildings pertaining to the municipality. Is that right?

**Mr Cowin:** Municipalities and school boards cannot charge each other levies. That is correct.

**Mr Ferraro:** Okay, but there are no exemptions then for things like churches.

**Mr Cowin:** Yes.

**Mr Ferraro:** No exemptions even for hospitals. Is that correct?

**Mr Cowin:** There are no specific exemptions for any of those other types of properties, but a municipality is free to name the types of lands and uses for buildings that it wishes to have a levy for. A municipality, if it does not want to have a levy for churches, does not have to impose a levy on churches.

**Mr Ferraro:** Am I correct in saying this? If they wanted to charge a levy for a hospital, they could charge it, but they could not use that money for hospital purposes.

**Mr Cowin:** That would be my understanding. Our legal people may want to add something.



**Mr Ferraro:** I would like somebody to clarify it for me.

**Mr Ballinger:** Mr Chairman, can we get John Chipman from the legal branch of Municipal Affairs to get in here before we get too deep in the rut, at the point of no return. Personally, my neck is in the noose on this one item and I do not wish to be at the point of no return.

**The Chair:** We are not in a rut at all. Do not feel nervous.

**Mr Ballinger:** I am not. You know me. I am never nervous. It is okay.

**The Chair:** Maybe you could restate or clarify the question with regard to the collection of hospital levies.

**Mr Ferraro:** Surely, and I think maybe we will start from square one so that I will get the picture. Maybe Mr Chipman can tell me what properties are exempt from either the municipal lot levy charge or the educational lot levy charge in Ontario, or would be with the passage of the amended bill.

**Mr Chipman:** Yes. To take subsection 3(5) as the example, being in the municipal portion of the bill, the purpose of that section is to ensure that basically only municipal properties and school board properties will remain exempt from the provisions of a development charges bylaw should a municipality choose to place the charges on a wider range of uses. As the members know, the Assessment Act provides a fairly wide range of exemptions.

**Mr Ferraro:** That is right.

**Mr Chipman:** What we are attempting to do with this section and with the parallel section in the education portion of the bill is to say, in effect, that the municipality may levy the charge on those uses that are otherwise exempt under the Assessment Act, except for municipal and school board properties themselves. In effect, the municipalities and the school boards would not be levying a charge on each other.

**Mr Ferraro:** Okay.

**Mr Chipman:** It is in the hands of the municipality in preparing its bylaw as to which uses and range of uses it chooses to levy the charge on.

**Mr Ferraro:** Would you clarify for me, particularly in the municipal range, a board of a municipality—let's use the example I referred to. You have a situation where you have either the electricity board which is a board of the municipality, or a hospital board and it is a

municipally owned hospital. Are they exempt or could they be exempt?

**Mr Chipman:** As the act is currently drafted, the local boards would not be exempted.

**1100**

**The Chair:** Unless the municipality decided to exempt them.

**Mr Chipman:** Unless they decided to do so, but they would not be automatically exempted by the operation of this section.

**Mr Ferraro:** So you could have the scenario where a municipality—let's take city A and it is a public hospital, owned privately—could levy a lot charge.

**The Chair:** How is that?

**Mr Ferraro:** In other words, the Sisters of St Joseph, to use that example, own a few hospitals in Ontario that are funded by the taxpayers and they are public hospitals, but technically they are owned by a private entity, if you will. Just to use that example, if they were building a new hospital, the municipality has the option of charging them a lot levy. I am not saying it would, but that lot levy could not be used for health care purposes.

**Mr Chipman:** The option would exist to charge the lot levy, that is correct, should they choose to do so.

**Mr Ferraro:** Why would the government not say, "You cannot charge it for a hospital, period"? Because they want to make it clean? They do not want any exemptions?

**Mr Chipman:** I am afraid I cannot really respond to why the government would take that position.

**The Chair:** I am not trying to lead the witness, but I did not hear the answer to the second part of your question. The first part was that they can charge it for the hospital, but they cannot spend it for health care purposes.

**Mr Chipman:** As the legislation stands, the municipality could, if it wished, place a charge on the hospital, assuming a new hospital was being built or a hospital was growing, and that money would form part of the general development charge that would be used for the purposes for which it was being levied, and that would depend on what was provided for in the development charges bylaw.

**Mr Ferraro:** I guess the second and final question I have on that, just to clarify it for me, is, can the charges, whether municipal or educational, only be for construction of new



buildings as opposed to renovations and/or additions? Is that correct?

**Mr Chipman:** They can be for constructing or improving as well, so there is provision for improvement.

**Mr Ferraro:** If the municipality and/or the school board decides it wants to have a lot levy charge for renovations or additions, it could as well.

**Mr Chipman:** Yes, if the improvements or renovations were required because of the growth of the municipality.

**Mr Ferraro:** That is a pretty broad determination, though. Can you envisage a court battle saying, "What the hell is growth?"

**Mr Chipman:** That is a matter that is to be dealt with in the development charges bylaw itself. In formulating the bylaw, the municipality will have to use as its basis its estimate of growth for a defined period, be it five or 10 years, determine what the growth requirements will be, and if any people object to the basis for that bylaw, those persons can appeal to the Ontario Municipal Board as was indicated here earlier. The OMB would then have the task of determining if the bylaw was appropriate or should be amended. In considering the appropriateness of the bylaw, the board would have to give consideration to evidence relating to growth requirements and whether or not they were realistic requirements.

**Mr Cowin:** The growth also has to be tied to the increased need for services so that you cannot get renovations that are purely cosmetic and do not create an increased need for services eligible for levy. If you had any kind of service and you were merely renovating and there was no increased demand for services, those kinds of things would not be leviable.

**Mr Ferraro:** This is the last question I will ask at this point. Getting back to the overall philosophy of essentially limiting the number of exemptions, as you indicated, in the Assessment Act there are a lot more. So the provincial government now is and the federal government will be, if a municipality decides, subject to lot levies, and churches and assisted housing and all the rest of it. Is that correct?

**Mr Cowin:** They will be subject to levies, although obviously municipalities cannot necessarily make the province or the federal government pay a levy.

**Mr Ferraro:** They can charge it but they cannot force us to pay.

**Mr Cowin:** No, they cannot force us to pay any more than the municipality could force the federal government to pay. All they can do is submit a bill and say: "This constitutes development and this is the charge for development in our municipality. Here is your lot levy." The regional municipality of Peel had this problem with the airport in Mississauga.

To add another point, in many instances we consider that lot levies are more akin to the kinds of special charges for which we are allowing fewer and fewer exemptions, such as sewer and water charges and so forth. Being somewhat user-oriented, the ministry is moving in the direction of decreasing the number of exemptions from these types of charges, so while they have a general exemption from taxation for special purpose charges and so on, the direction is moving away from an expansive list of exemptions.

**Mr Ferraro:** I cannot ever imagine the provincial or federal government refusing to pay a local charge, but maybe they have. Has that ever happened in your experience?

**Mr Cowin:** The province, as I understand it, has a policy of behaving as any other developer, so its policy is to pay the tax.

**Mr Ferraro:** We do not get particularly involved with their behaviour, but on this specific issue.

**Mr Cowin:** Now, as I said, there was a debate at one point with the federal government over the Mississauga airport. I understand that has been resolved and that the levies have been paid.

**Mr Reycraft:** Is it true that municipalities are restricted by provincial legislation in what they can provide property tax exemptions for?

**Mr Chipman:** That is correct, inasmuch as section 3 of the Assessment Act sets out a whole range of exempt properties and types of properties.

**Mr Reycraft:** Is it also true that many municipalities provide grants to institutions such as theatres and art galleries, which in effect give them property tax exemptions? They give them a grant each year that sort of parallels the property tax burden they pay.

**Mr Chipman:** I am certainly aware that many municipalities give grants, but the extent to which they parallel the tax I am not able to say.

**Mr Reycraft:** Would a municipality that chose to include a hospital in its development charges bylaw be able to provide a grant to the hospital for construction of a new project? There

is nothing to restrict them from doing that, is there?

**Mr Chipman:** There is nothing in this legislation that would impact on that.

**Mr Morin-Strom:** Out of the development charges fund?

**Mr Reycraft:** No, that is not what I asked.

**The Chair:** Mr Reycraft still has the floor. If you want a supplementary, I will put you down.

**Mr Reycraft:** I have had my questions answered.

**Mr Pope:** I am showing you section 7 of the draft regulation, just in response to Mr Reycraft's last question. They cannot be directly levied for the purposes of the hospital.

**Mr Chipman:** That is what section 7 provides, yes.

**Mr Pope:** I want to ask you whether this is possible: First of all, when they pass a lot levy bylaw, a development charges bylaw, a municipality can exclude certain classes of property or certain types of property from the development charges bylaw.

**Mr Chipman:** That is correct.

**Mr Pope:** Could they, in their development charges bylaw, exclude properties that are subject to front-end agreements as a class of property?

**Mr Chipman:** I suppose they could if they could define that class of property sufficiently clearly.

**Mr Pope:** Say, vacant land that is subject to a front-end agreement.

**Mr Chipman:** They might. Certainly, we are envisaging that when they speak of classes of property they are talking in terms of use classes.

**Mr Pope:** The first line of section 7 of that draft regulation says, "A municipality shall not impose development charges with respect to services provided by...a health care facility." Theoretically, a municipal bylaw could pass a development charges bylaw excluding vacant land that is subject to a front-end agreement and then provide for levies on account of hospitals under the front-end agreement and still not be in breach of the draft regulations, right? I just want to know what legal advice to give. Section 20 of the bill, as amended, is what I am referring to. It is in your binder.

1110

**Mr Chipman:** As section 20 originally stood, front-end agreements were limited to a fairly narrow range of services. With the amending

motion to Bill 20, there is no limitation on the range of services that could be covered in a front-end agreement.

**Mr Pope:** So the intent of that draft regulation, particularly paragraph 7, could be totally frustrated by just allowing municipalities to have front-end agreements and not applying the development charge bylaw to that property, right?

**Interjection:** Wrong.

**Mr Pope:** For hospital purposes?

**Mr Chipman:** To the extent that the municipality could persuade persons wishing to enter into a front-end agreement to include a provision for that. Certainly there is no statutory limitation, nor is there a limitation by way of regulation.

**Mr Pope:** Okay.

**The Chair:** For further clarification of that, would the municipality not do that by way of credits? Whatever front-end financing arrangements were made would perhaps be credited against the leviable charges later on down the road?

**Mr Chipman:** That would be so to the extent that the services included in the front-end agreement are also included in the development charge bylaw.

**Mrs Cunningham:** I have one question for the Minister of Health, but it really leads into the Education part of the legislation, if that is appropriate. I do not want to change the subject.

**The Chair:** To Mr Grandmaitre, then, and—

**Mrs Cunningham:** And then to whoever is answering for Education.

**The Chair:** We will have Mr Keyes back up and see who we lateral the ball to.

**Mrs Cunningham:** Just in summary for me to be able to relate the intent of the government, if you could help us, what is the thinking of the government around explaining the difference in philosophy with regard to lot levies for education but not for health? How do we explain that?

**Mr Grandmaitre:** Again, I was not privy to the previous meetings, but the intention of Bill 20 not to include hospitals, as far as I am concerned, the way I was briefed I was told that the present formula works well and will be retained. Maybe Ken can add to this: Why include schools and forget hospitals or leave hospitals out?

My understanding is that for any school or school board jurisdiction, and I am sure that you are much more aware of this than I am, a school board district is identified much more properly than a hospital district. In other words, a hospital



could serve a number of municipalities whereas a school board has definite districts and this is why it would be more appropriate to include schools and not hospitals, because it would be very difficult to include hospitals.

**Mrs Cunningham:** Just before we pass over to Mr Keyes, then the practice that we see in some 26 per cent of the total provincial population with regard to five regions and two municipalities that obviously do have definitions and obviously are comfortable in including development charges for hospital purposes—they have already defined what their needs are and probably feel comfortable. Although I respect your response, you and I should be aware that there are a number of municipalities and regions that would not.

Can I just pursue it a bit further? I am trying not to be political, because if I am Mr Ferraro will tell me off but good, so I will try not to be political.

**Mr Ferraro:** I have mellowed.

**Mr Haggerty:** He would never do that.

**Mrs Cunningham:** Yes, he will. He has done it before and he will do it again.

**The Chair:** I will not let him.

**Mrs Cunningham:** We have a new chairman; that is right.

**Mr Ballinger:** Nonpartisan Mahoney.

**Mrs Cunningham:** Yes, right. Everybody remember that.

My question, in a sense, is political only to yourself in that if I were trying to explain the principle of funding—and we recognize there is a need for hospital beds, and your government did say that in 1987. So if you are now saying to the public, and I am sure Health has thought of this, “Well, really there’s no more money for schools, so we’re going to look at raising the funding in a different way,” you also are telling us, at least so far, that there is no more money for these hospital beds. Does this then give us hope that down the road your ministry will be looking to yourselves solely, the province, to support the additional hospital beds that in fact were promised? Is that the message that we can be taking back?

**Mr Grandmaitre:** I am not trying to deliver any message this morning. All I am trying to tell you is that I think we have responded as a government to those needs in the past and I am sure that we will continue to respond to those needs. Again, I must admit that I was not privy to—

**Mrs Cunningham:** Neither was I; I am just looking at it as an observer today.

**Mr Grandmaitre:** I cannot make that commitment, that we do have a formula or an upcoming program to fill that void. No, I cannot be specific on that one.

**Mrs Cunningham:** I appreciate your point. I would not in the House, but I do here.

**Mr Grandmaitre:** I know.

**Mr Ballinger:** Thank God for Mr Ferraro.

**Mrs Cunningham:** That is right. If it is appropriate to sort of change the tone here—

**Mr Haggerty:** I have a supplementary. It follows on that line of thought and even Mr Reycraft’s, I think. I am concerned about the bill itself, because when I look at the proposals to it, it is a new area that local government has, some might say a new tax base. I am sure that the chairman is well aware of that, with his representation on the local council of Mississauga.

Where you have two local governments in the area and now that the regional—I am looking at the regional municipality of Niagara, that has gone into this lot levy or impost charges, and other municipalities have. You have two levels of different governments fighting for the same tax base.

When you look at the new proposals in the regional plan—I have a copy of it here—what they have suggested, for example, is that the main growth area is in the gap between Port Colborne and Fort Erie on the north shore of Lake Erie. This is what they are saying now. Development in that area is going to cost the local taxpayers quite a bit in their tax bills every year, because it is going to put a heavy burden in that particular area.

When you get two government levels there—and my area of sitting on local government years ago—in the county structure, for example, we used to pay into hospitals based upon the number of days that were used by residents outside of the municipality that had the hospital. I am suggesting that above all, this bill should have local autonomy without putting too many restrictions on this additional funding that is coming, to say what priorities should be set by the municipality. I think most of all that should be their prerogative, not delegation by an act of Parliament saying, “We’re going to restrict you in the areas you need.”

North of Toronto—we are reading in one of the magazines, *Fire Fighter*, I believe it is, that one of the municipalities bought five brand new pumpers. You are looking at \$200,000 apiece in that. No doubt about it, it was brought about by a



new lot levy there, saying, "Well, we've got to modernize our equipment."

When you look at the emergency services alone, which include hospitals, the 911 number and fire equipment and matters of that nature which will have to be provided by these municipalities, I do not want to see any restrictions in here that say the local municipality—not only just for infrastructure, but there are other needs that have to be met when you have large growth in communities. I suggest to you that the committee should be looking at this, that we just do not tie local council down saying, "This is the limitation that you can go."

I am looking at local autonomy. It is their tax base. They should be able to designate the area in which they think it should go. When you have the region coming into the picture, the regional municipality of Niagara, for example, it means that they are supposed to—

**The Chair:** Mr Haggerty, I am sorry. Could you go back to the supplementary to Mrs Cunningham's question? I have you on the main list.

1120

**Mr Haggerty:** I am going back. I have two levels of government: local government is under the regional Niagara bill. They are supposed to provide the capital works for, say, enlarging municipal water treatment facilities or sewer treatment plants. I suggest to you: Let's not tie them down too close, that we have the prerogative following the principles set down by Mississauga.

**The Chair:** I think that was a supplementary. Mr Ballinger, did you have a supplementary?

**Mr Ballinger:** I want to follow up with Mrs Cunningham. I guess probably my riding is a good example. My riding, as you know, is Durham-York. On one hand, York currently charges a levy; Durham does not. In the 10 years that I spent on municipal council, all 10 at the regional level, I did not support a hospital levy.

The concern I had then as a municipal politician and still share today at the provincial level is that when you are talking about site-specific on schools you are talking about a high-growth area that relates directly to that community, and therefore those people are directly affected and are the direct benefactors. When you are speaking about a hospital—our little hospital in Uxbridge is an example. The Cottage Hospital in Uxbridge is in what they call a catchment area. We are on a main tourism route. We get all kinds of traffic through our

hospital that is not locally related. Consequently, in my opinion anyway, you could not then and I still argue today that you cannot attribute that area to be a high-growth area and say that the expansion is due specifically to the growth of the community, because it is not only that.

I am a little concerned that once you start talking about making a levy, for which the contribution is two thirds/one third, there is a local incentive here that gets lost. The local incentive in communities the size that I represent is that there is a partnership and the partnership is that the province will put up two thirds and the local municipality will raise one third. Traditionally what we did in our municipality was allow public subscription to take place. When it was all said and done and the local foundation came back and said: "Our target was \$2 million. We've raised \$1.7 million; we've saturated the target. Will the municipality levy the remainder for the hospital?" We used to do that and we would publicly say, "We are levying one mill in fiscal 1985 for hospital expansion." I am really afraid that once you start talking about levies for hospitals that local incentive is gone.

**The Chair:** We are really into a debate here that we should not—the purpose of this morning, with respect—

**Mr Ballinger:** No, I am sorry, Mrs Cunningham asked the question whether it was the position of the government to restrict levying for hospitals. She could not understand the difference why we are allowing it for education but not for hospitals.

**The Chair:** So you are not really giving a supplementary; you are responding as the parliamentary assistant to the Minister of Municipal Affairs.

**Mr Ballinger:** It was the only way I could get in, Mr Chairman. I wanted to get in.

**The Chair:** We will recognize your dual role here. Mrs Cunningham, do you want to carry on?

**Mrs Cunningham:** I do not want to be pegged with a question I did not ask. It was a very simple question. There was a message being put out and the question was: How can I explain to the public the government's thinking around asking municipalities to support lot levies for education, and at the same time how do I tell the municipalities that are already using lot levies for hospitals that it does not work or they cannot do it any more? That was my question. I understand what you were saying. As a person who is against lot levies, I do not even know some days why I

bother coming into these particular committees. But having said that, I am trying to improve—

**The Chair:** It is to add some grace and charm to the proceedings.

**Mr Ballinger:** What was the message there?

**Mrs Cunningham:** The message is: If you are going to get stuck with the legislation, you may as well find out what the philosophy behind it is so you can explain it to the public or fix the parts that the committee will work together to fix. So I am here to help fix whatever I can. This is not the first time I have sat on a committee trying to fix legislation as part of my responsibility. The rest of us are here too. I am sure you do not all like it either.

**The Chair:** Do you have any further questions?

**Mrs Cunningham:** I do.

**Mr Ballinger:** I think it is a good piece of legislation.

**Mrs Cunningham:** I do, too. Let's just see what you think about this part, then. With regard to the lot levies for education—

Interjections.

**Mrs Cunningham:** The last bill I sat on was not printed. This one is printed. What happened?

**The Chair:** Mrs Cunningham, would you put your next set of questions on the floor?

**Mrs Cunningham:** Excuse me, Mr Chairman.

**The Chair:** That is okay.

**Mrs Cunningham:** With regard to the need for school capital, and the need therefore to take a look at this method of taxation with the lot levy, if you can just bear with me for a second, if I can give you a bit of history which you and I probably know, but we have got some 200,000 students in portables now, and I think we probably have about 7,500 portables in the province. We know the tremendous need for capital out there.

My question is this: If the government is, in fact, allowing school boards to raise taxes through lot levies, will they at the same time be able to raise those taxes to house the students who are in portables now, because that is the challenge as one knocks on doors during elections. People ask, "How much longer will my kids have to stay in portables?" Will the taxes that will be raised by lot levies be used for students who are in portables now?

**Mr Keyes:** I will ask for further clarification from staff to correct me, but as I read the charges, it is supposed to be on new development and the

demand for new pupil spaces that are created in areas to be developed.

Therefore, the students who are in portables today are there as a result of development that has taken place prior to this point in time. I do not see how the bylaws could then be used to provide the funding for those spaces that were generated by previous development. We must look at the whole bylaw. It is permissive legislation; it is for areas of new growth; it has to be based on the number of pupil spaces generated by that new growth; it must be in accordance with what the municipality can charge as approved capital costs by the Ministry of Education, and it must take into account the existing pupil places that already exist in their system.

So subject to clarification by Brian Lenglet from the ministry, who is here, I would say I do not see how moneys collected under a new development lot levy charge can be used for previous space needs.

**The Chair:** I think your staff would concur that this is a sufficient answer.

**Mrs Cunningham:** Given that response and given that the school boards advised us that we would need almost \$6 billion in the next five years, and that we will probably take a year or so to enact this particular legislation and collect the money—maybe we would be lucky to get it three years from now; that really means that the projected growth over the next five years, including the students who are in the portable classrooms, has got a shortfall even today if we looked at projections, of some \$4 billion.

So three or four years from now, perhaps three years from now or two years from now, the government will still be asked by school boards for, and I am just guessing at these numbers, but we are probably short right today almost \$5 billion. Where is the capital money going to come for the kids who are in the schools now and the projections that will take place over the next two years beyond the portable classrooms we have right now?

I mean, if this money is to house the students who need the schools, I think it does not meet the need at all, if you are not taking a look at the students who are in portables. I mean, when Mr Ballinger made the statement before that it was harder to define the requirement for hospitals, and I agree with that, by the way, but it is not easy to define just where the money for the school ought to be either. In the way that school boards plan right now, just because somebody says you are going to get a school, that usually would mean that the parents who have paid a lot levy fee



in the purchase of their new homes—I would say a great majority of the time, and I think Mr Ballinger would even agree with me on this, these parents are those whose children end up as students in portable classrooms—

**Mr Ballinger:** Is this live?

1130

**Mrs Cunningham:** I do not know—or who would be bused to a partially empty school, because other communities have been waiting for a new school in their neighbourhood, and the long-term plans of school boards, probably projected over the next five to ten years, numbers 1 through 8 of the new schools have already been decided, very few of which would be in new developments.

I would say that for a planning purpose, to come in now and say that the lot levies that are collected on those new homes would go to provide schools for the students who move into those new homes two or three years from now would be something in direct opposition to the kind of planning that goes on in school boards now. What school boards have said to the public since about 1976 is that just because you are buying a school in this particular community does not mean to say that your children will go to school in this community.

That is something we have fought hard and long for in the support of good planning. It was a tough stand to take and many school boards across the province, in fact within their own regulations, said that would be the message and in fact asked developers to post it on their signs that this does not mean there will be a school in your community.

To now say to somebody, "Pay \$5,000 more for a lot levy for a school," or even \$2,000, I think at the same time you had better say, "But it probably won't be for your children." In fairness, these others have been waiting and have been bused for four and five years and they deserve to have a school that they can go to for at least two or three years of their education. I am now talking about students who have been bused for three and four and five years to portables, or have walked to portables, who want to be in a permanent school.

**Mr Ballinger:** They would be in the area serviced by the board.

**Mrs Cunningham:** Not always. Oh, in the area serviced by the board, but the school does not necessarily have to be built in the community.

**Mr Ballinger:** It does not imply that, though.

**Mrs Cunningham:** Of course it does not imply that. Mr Chairman, I should be speaking through the chair, so I will look at you this time, or I shall be distracted by Mr Ballinger.

**Mr Ballinger:** Dianne, I am sorry.

**Mrs Cunningham:** It is great. It is the best part of coming to the committee to try to avoid being distracted by Mr Ballinger. It is the greatest challenge of all.

**The Chair:** You were doing well.

**Mrs Cunningham:** I was, was I not? But the point is very clearly that if this whole idea of funding, which I do not agree to and will be putting an amendment forth to have it excluded—our party does not agree with it. We do not think at all that this province should be looking, for the very reasons I am trying to explain—when you knock on somebody's door and you have asked them for \$2,000 or \$5,000 and they know they have paid that money, they expect a school, and that is not what is going to happen.

More important, this money is not going to support the children who are in portable classrooms now, so I am just wondering, given the policies and the practices of school boards and given the intention of the government, how this whole thing is going to work. It is extremely discouraging to hear you say that school boards cannot use this money to build the schools and put them where they want to put them and replace portable classrooms if in fact that has been their plan and if they have been on a pecking order list in this province and in their own regions for the last five or six years, at least, for money.

**The Chair:** Do you want to respond?

**Mr Keyes:** Only very briefly and in general terms. I think the demand for additional capital funding has not just developed in the last five years. It has certainly been growing for a good many years, perhaps 10, perhaps 15. We have had portables ever since I started teaching in 1948 and we have never had a year when we were without portables. That was over 40 years ago and I am still vibrant, strong and virile.

**The Chair:** So you started teaching when you were seven?

**Mr Keyes:**—teen.

**Mrs Cunningham:** By the way, I can relate. I did too, and I taught in a portable classroom, so I do not need a lesson in history right now, and things have never been worse.

**Mr Keyes:** My point is that we have always had a need for more capital. The boards have

cogently drawn that to our attention, and that is why in its planned capital funding the government has quadrupled the amount of money for construction of school facilities so that more of those will be met. We have got that over a four-year plan, which is about a \$1.2-billion figure.

Also, we have reduced the average contribution from 79 per cent to 60, which will provide more projects. There is more money being provided, it will cover many more projects, and this provides an opportunity for municipalities to find another way of meeting the future growth needs of that municipality. If they do not wish to use this means, they can place it on the regular levy within the municipality.

**Mrs Cunningham:** Just in closing, I will make a statement. If the local taxpayers are going to be paying lot levies through their municipalities, and if the province of Ontario is not going to be supporting capital funding for the students who are in those portable classrooms right now, and if the board chooses to put the school where it wants to, given the level of support from the government, I would suggest that it will put its schools where it wants to and it will solve the problems of its portable classrooms, wherever they are, in any municipality across this province.

This legislation and these regulations, in spite of your answer to my question, will not really bear any weight at all, because in the practical planning process and in the priorities of school boards and in the autonomy of local taxpayers, you really cannot tell them who will go into the new schools. So I would suggest that in principle your answer is one, of course, that reflects the intent of the government. In reality, the schools will be built in the order that they have been planned for over the last decade, and there will be large demonstrations by parents in local municipalities, not against the school board but against the province of Ontario if, in fact, we try to interfere. Notice I said "we."

**Mr Keyes:** The only point I want to make is I think it is appropriate that the lot levy placed on development will be to provide pupil places, and it is up to the board to decide where that most appropriate place is. We should never, ever, as you yourself have said, suggest that, by imposing lot levies, that guarantees the location of a school in the middle of development X, Y or Z.

**Mrs Cunningham:** Which is the response I needed and in fact is in direct opposition to the answer to the first question.

**Mr Keyes:** I do not see so.

**The Chair:** Could I perhaps ask for a point of clarification here. It is my understanding that the school boards will continue to submit their October documents to the ministry with their prioritization listed and that this bill will provide an additional source of revenue but will not affect their priorities. It will perhaps allow them to build more of their priorities on that October document. The system of getting approval for capital allocations for school boards will not change, but the ability to raise dollars will. Is that fair?

**Mr Keyes:** Fair ball.

**Mr D. R. Cooke:** Just a comment. We certainly are hearing a lot about municipal autonomy this morning. I wonder if this would be an appropriate time, in view of what we have just heard, for Mrs Cunningham to present us with her proposed amendments.

**Mrs Cunningham:** I do not know. When is the appropriate time? I did not think we were going to do that today.

**The Chair:** Today was not clause-by-clause, but we do have amendments, of course, that have been submitted, a number of them that were referred to both earlier this morning and in the Legislature that have been submitted by the ministries. We have not, I do not believe, to the clerk, received any from the opposition.

**Mr D. R. Cooke:** I am just suggesting, since we are having a very thorough, heart-rendering discussion, that maybe it would be appropriate to have them on the table. I am not suggesting we deal with them.

**Mrs Cunningham:** Could I just tell you why I am a little hesitant? Depending on how some of the questions are responded to today, the numbers we are putting forth will change. But we are ready on that particular one. I am not certain if it will be ready at the end of the day, but we will get it in as soon as possible. Depending on some of the answers, we may choose not to make some of the amendments that we have discussed in our caucus.

**Mr Ferraro:** Just a supplementary to Mrs Cunningham's line of questioning, and I appreciate the clarification vis-à-vis new pupil places and the norm of submission and so forth in October. I guess I would ask Mr Keyes, is the reality not going to be that in essence—let me give you an example. If we are using the city of Guelph, we have a very large area of new development in the south end of the city, and indeed there are in the process of being



constructed some elementary schools. But five or 10 years from now, hopefully sooner, there is no doubt in my mind or in anybody's mind that we are going to need a new high school there; perhaps two, certainly one.

Is the reality not that collection of the educational lot levy now will go towards, conceivably, the building of this new high school in the south end in the next few years and that indeed there is a retroactivity vis à vis the number of students who would be benefiting from that? In other words, the existing kids in elementary school now will contribute to the demand for growth. So in essence the kids on stream now, the people living in that area, while they have not necessarily paid that lot levy portion will indeed have contributed five years down the road, will at least get the benefit of it five years down the road.

1140

**Mr Keyes:** Will get the benefit from it.

**Mr Ferraro:** Because I cannot see the Ministry of Education saying, "You guys need a new high school, but according to 1 January 1990, you only had X number of houses built, so take the provincial average and you only have this number of kids who are going to benefit from that high school." I am oversimplifying the whole situation but—

**Mr Keyes:** I think the demand for pupil spaces, whether it be at the elementary level or secondary level, will generate the need and how much must go towards the building of schools. I want, first of all, to clarify with Brian Lenglet just to make sure that my answer was not incorrect to the one to Mrs Cunningham where I had said that we do not say in this act that it must be built directly in that location, that this is more general. I want that clarified.

The same thing is true here, I guess. I would say that the moneys will be able to be the claim upon the fund by the school board when a need is demonstrated for that high school in the area of new development. There will be advantages gained by those students who have been in the elementary process in the area and then going to this new school.

**Mr Ferraro:** I guess where I am trying to draw a distinction—and I am not sure whether it is splitting hairs, if I can use that word. I guess I can.

**The Chair:** Pretty tough for you to do.

**Mr Keyes:** It is strange for you to use it, I must say, but—

**Mr Ferraro:** I knew that would evoke some response from the chairman. You will note I did

not say anything about his height or lack thereof. But having said that, I am trying to draw a distinction between the elementary replacement of portables and how the ministry and the government, local or provincial, deal with that at the secondary level. I am not sure if I am going off on a tangent or not, but to me there is a big difference when it comes to utilizing the lot levy charge.

**Mr Keyes:** Well, subject to any further input from Brian, I think we are looking at the demand that new development creates for new pupil spaces. That is the basis on which they then can levy a charge. Of course, they will have to look at the elementary as well as the secondary needs of an area. I believe that the board will be able to justify when the claims are made upon that fund for the moneys that should come as a result of need, both elementary and secondary.

**Mr Ferraro:** I understand what you are saying, but just to conclude, what I am saying is that when you are talking about a high school, you are not replacing a portable per se. When you justify the need for the high school, which all school boards have to do, you are going to do it on the basis of the kids who have moved into the area and the kids who are in overcrowded high schools elsewhere in the community. The Ministry of Education is not going to say, "No, you can't use the lot levies," or "You can only use this portion of it because these kids were there since before January 1990." Do you understand what I am trying to get at?

**Mr Keyes:** That will come down, I believe, into the formula that is set out in regulations, which actually sets out how the charge can be established. I think that I would have to do further study on the regulations and perhaps give you a more adequate answer, which I will be pleased to do.

**The Chair:** I have no one else on the list at this stage. We could perhaps discuss our game plan from here. Everyone but Mr Grandmaitre is available for this afternoon and we originally had planned to go this afternoon.

**Mr Morin-Strom:** I was hoping we would receive today a cross-reference between the document that we received from our researcher earlier on the summary of the recommendations from Bill 20 which was prepared prior to all the government amendments and the fact that we now have the government amendments.

The summary of recommendations, in a sense, goes through the various clauses and what we have heard. I was hoping we might be able to

have the opportunity to have a reference to what cases we have actually gotten amendments from the government in response to: that type of cross-referencing.

**The Chair:** Would that not be normally what you would do at the clause-by-clause stage, where you would go through and cross-reference the government amendments to the original bill and any opposition amendments and deal with it in that format?

I understood that we wanted the four political representatives here to do what I think we have done this morning, which was to discuss matters of broad policy. Once we were finished that, we would go to a clause-by-clause debate and accomplish what you are interested in. Would that not be reasonable?

**Mr Morin-Strom:** Well, yes. There is kind of a combination in between the two here.

**Mr Ballinger:** Karl, how can we help you? What do you need from us to make it easier for you?

**Mr Morin-Strom:** I guess what I am suggesting is that there were a lot of major issues raised before our committee. This morning we focused heavily on the hospital and now on some of the educational lot levy aspects, but our researchers went to a lot of work to point out a compilation of the recommendations by section.

I have not done that kind of assessment and I guess to me on the major issues that were brought to us by a number of groups what would have been nice to hear from the ministry people is which ones have been responded to positively and which ones have not in terms of the amendments the government has brought forward.

**Mr Ballinger:** Let me respond. I am sure that Dan Cowin can do a reasonable summary for you, even here, to give you some idea. With the greatest respect, when we tabled the 51 motions, it really was in response—I came in at the tail end, as you know. I have only been involved for a couple of weeks, but I have been actively involved in the discussions about amendments, Karl, so that the 51 is sort of an overview response to all of the various submissions that the government received through the public hearings. I think that Danny is in pretty good shape to give, probably in about 10 minutes, a reasonable overview, sort of a summary of the submissions compiled into the 51 motions, if that would help somewhat.

**The Chair:** Do you want to do that now? We have about 10 minutes left before our normal

adjournment unless we wish to go beyond that, which would require unanimous consent. Or do you want to start with that this afternoon?

**Mr Morin-Strom:** It is possible it could be done now. The only concern I have in response to Mr Ballinger's comments is that he is saying now that most of the 52 amendments are responses to the concerns we have heard. My understanding has been that in fact most of the amendments are more technical in nature and are correcting language problems and are not substantive in nature. I guess to me the point is which of them are substantive and which are just technical, so we can more directly focus on those that are in fact substantive responses to the recommendations. I mean, it is a big job for us to go through 52 of them.

**Mr D. R. Cooke:** You have got to read them.

**Mr Ballinger:** Again, I am at the pleasure of the chair.

**Mr Morin-Strom:** You guys get to read them next week.

**Mr Ballinger:** Mr Cowin can talk about the substantive versus the technical versus the cross-referencing. I can assure you that even in the cross-referencing, in some of the amendments that you believe are minor, the changing of one word quite frankly means a substantial difference in interpretation.

**Mr Mackenzie:** A lot of them have also been described to us as simply housekeeping.

**Mr Ballinger:** Some are, there is no question.

**Mr Mackenzie:** So what is what?

**The Chair:** Mrs Cunningham, did you want to add to this?

**Mrs Cunningham:** No.

**The Chair:** Then why do not we recess until following routine proceedings, come back and we can perhaps start with the staff from Municipal Affairs going through what are seen as the substantive changes in their recommendations. The members of the committee can ask questions of that staff at that time. Would that be agreeable to everyone?

**Mrs Cunningham:** The one point I did have: Are you saying that Municipal Affairs will be back here this afternoon, but not everybody else?

**The Chair:** Well, no. Everyone except Mr Grandmaître will be back this afternoon.

**Mrs Cunningham:** Okay, I just wanted to make it clear.

**The Chair:** Presumably we will have staff from the Ministry of Health.

**Mrs Cunningham:** You are keeping people around, okay.

**The Chair:** Mr Grandmaitre, will we have some of your staff here this afternoon?

**Mr Grandmaitre:** Yes.

**Mrs Cunningham:** That is the next question. I just wanted to allow them to make arrangements.

**The Chair:** Mr Ballinger, Mr Keyes and Mr

Reycraft will be here this afternoon following routine proceedings and staff from the Ministry of Health will be here as well. We can lead off with the Municipal Affairs staff giving us an overview of those amendments, if that is agreed with everyone? Okay. The committee stands recessed until following routine proceedings this afternoon.

The committee recessed at 1150.



## AFTERNOON SITTING

The committee resumed at 1542 in committee room 2.

DEVELOPMENT CHARGES ACT, 1989  
(continued)

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

**The Chair:** I see a quorum. I believe we agreed we were going to begin this afternoon's meeting by having a presentation from the Ministry of Municipal Affairs, sort of an overview of 10 to 15 minutes. You were suggesting, Mr Ballinger, that one of your staff would present that?

**Mr Ballinger:** Is the member for Sault Ste Marie (Mr Morin-Strom) coming?

**Mr Mackenzie:** I thought he was, but I did not see him in the House.

**The Chair:** The presentation is recorded in Hansard and if he is unable to get here he can review it on his own, but I think the committee should go ahead.

**Mr Ballinger:** I appreciate that. This is Dan Cowin of the ministry's municipal finance branch. John Chipman, the ministry's general counsel, will sit up here as well, in case he can add to or subtract from Dan's presentation.

**Mr Cowin:** At the moment, the government is proposing about 51 motions which affect roughly 32 sections of the bill. Of this total, the Minister of Municipal Affairs (Mr Sweeney) will be bringing forward about 31 motions. It is hard to be precise; there are some changes that are occurring on a continuing basis. They deal with about 20 sections of the bill. There are roughly 20 motions, affecting a dozen sections of the legislation, being brought forward by the Minister of Education (Mr Conway).

By and large, the amendments flow from presentations that were made to the standing committee on finance and economic affairs between 22 August and 31 August and, in addition, from representations which were made on an individual basis by various groups to various members of the interministerial committee on financing growth-related capital needs.

In almost all instances, the amendments clarify the legislation. At least on the municipal side, from our point of view, they do not in most cases represent a major departure from the original intent of the bill. Nevertheless, we

would still suggest that the changes do respond to a wide range of municipal concerns.

The following items could be listed as significant changes from the point of view of municipalities and developers. However, with the possible exception of doing something in the area of the definition of "capital," we in the Ministry of Municipal Affairs would suggest that probably most of these are within the original intent that we had in store for Bill 20.

Among the significant changes, I would list the following. We have already recommended certain changes to the definition of "capital cost." One thing we have done is we have included the capital costs of local boards as eligible capital costs. It was always our intention that local boards would be captured. We felt that by being silent on it in the legislation, this was not going to be a problem. A number of municipalities suggested we should be explicit in this area, so we have been. We have now made it clear that those costs will be included. This includes the cost of hydroelectric commissions.

Also in the area of the definition of "capital cost," we have made it clear that costs may be levied even if those costs are for services that are not owned by a municipality or are for services that might be physically located outside the boundaries of a municipality. I can offer you an example or two on that.

In the case of a service which is not directly owned by a municipality, such as provincially owned sewer and water systems, we would still anticipate that the municipality should be allowed to levy for the capital component of those. A situation where you may have a service that is outside your boundaries is the case of your municipal contribution to the capital cost of a landfill site that may be located in another municipality.

**The Chair:** You are recommending that be allowed.

**Mr Cowin:** We are allowing all of that, yes.

**The Chair:** Did that come specifically from Metropolitan Toronto during the hearings?

**Mr Cowin:** It certainly came from a meeting I had with Metro staff. I believe, considering they said they were going to put it in, it is probably in their submission.

Another recommendation that is being brought forward is to change the phase-in period from one year for some municipalities to two years. At the

moment, we have a two-year staggered phase-in. Municipalities with high levies in excess of \$3,000 were going to be required to comply to Bill 20 within one year; the other municipalities were going to be given two years. We have been convinced, through various meetings and representations, that the one year is probably unrealistic and so we are recommending a two-year phase-in for all municipalities.

We have added a new subsection in the area of collection which we feel provides greater flexibility in the collection process. It permits developers and municipalities to enter into agreements for the early payment of all levies. Although this is a new section, it is similar to existing provisions for late payments and, in a sense, does not represent a significant change.

The problem here that we were trying to respond to was the problem that developers have in that they sign a subdivision agreement but it may be years before they get their building permits. They have no idea what can happen to levies in the interim. We feel that by allowing these agreements, making them permissive and making them by nature an agreement, the municipality might benefit from having the money up front and would be able to invest those funds. The developer will lock in his levy at an early point and will know what it is and so on. He will pay the levy that is applicable on whatever date he signs that agreement. So it may be that the interests of both parties are served. If they are not, obviously there will not be any agreement.

The last thing we have done is in the area of front-end financing. The bill as it is currently worded defines a front-end service as including sewer, water and roads. We have amended all of the relevant sections of the front-end financing to allow for any service that is named in a front-end agreement to be included as a front-end service.

Again, we heard from a number of municipalities that our definition was overly restrictive. Existing front-ending arrangements that are in place in various municipalities included a range of services that went beyond that. So we took that into account and altered the definition of "front-end service."

Those really constitute the list of significant amendments. The rest are mostly technical and housekeeping. A good deal of them are required by the fact that we have, in a sense, mirror images on the education and municipal side in areas like process and so forth; so when we make a change to the procedures on the municipal side, that necessitates a change on the education side that mirrors that.

1550

**Mr Ballinger:** I guess I will address my comments to Mr Morin-Strom and Mr Mackenzie. I met with the minister this morning and there was only one other amendment the minister asked me to discuss with the committee and make sure I tabled with the committee today, because he really is seeking support from the committee to resolve a dilemma he finds himself in. I think most of us who know John Sweeney know that the way the minister works is very upfront and straightforward.

Mr Sweeney has been giving serious consideration to expanding the definition of "capital," but the dilemma he finds himself in is, on the one hand, being the Minister of Municipal Affairs and, on the other hand, being the Minister of Housing. As we all know, there is sometimes a bit of a conflict there. The only concern Mr Sweeney has when it relates to the levy portion is on the affordable housing part, and what Mr Sweeney asked me to do today was to discuss with the committee and, hopefully, see coming out of the committee a way in which he as Minister of Housing can address the affordable housing section and the impact the levy section has on that.

Mr Sweeney does not have any preconceived ideas but would hope that a discussion about that will come out of this committee. I guess that is about the only other major consideration as far as Bill 20 is concerned, but Mr Sweeney hopes some support and reasonable policy will evolve out of the committee as it relates to the affordable-housing section as well as expanding the definition of "capital."

**Mr Mackenzie:** If I can just summarize, we have here 31 amendments dealing with the Municipal Affairs side of the issue, 21 dealing with Education and five, I think, you classified as significant.

**Mr Cowin:** Five, or six, if you were to include the new amendment of capital.

**Mr Mackenzie:** I take it that the new amendment coming from the minister is one we have not seen yet. The five will then become six significant changes and the rest are strictly housekeeping or clarifying amendments.

**Mr Cowin:** I would so classify them, yes.

**Mr Ballinger:** Quite frankly, Mr Mackenzie, the discussion to expand the definition of "soft capital" would include the term "rolling stock." The municipalities have a position; in fact, the Association of Municipalities of Ontario's position is, on one hand, that it is great to be able to



build a firehall, but it is wondering where to get the money to purchase the fire truck, as an example; that is an area the minister is willing to give consideration, but on the other hand he is wrestling with the difficulty as it relates to levies on affordable housing, he does not have any preconceived ideas and would hope that discussion would take place within the committee—including all of us, not just our side—in the hope that all three parties will understand the dilemma he is in as minister.

**Mr D. R. Cooke:** I too would like to see accommodation with regard to affordable housing. I understand there is a problem in trying to work out a definition of “affordable housing” that would be enforceable. If we can overcome that problem, let’s. Are you saying the problem can be overcome?

**Mr Ballinger:** No. The real issue is as it relates to the impost fees applied against houses under the definition, even our current definition in the Ministry of Municipal Affairs, so that there is some recognition that if a certain portion of those units within a plan of subdivision, especially in the new growth areas, if there was some alleviation—that is not a good term—that would allow for the minister to ensure that the provincial policies for affordable housing are carried out without the impact of a full levy on that particular unit.

**Mr D. R. Cooke:** The problem, though, is that a developer comes forward with a plan of subdivision and we have not seen a house yet at the time when the decisions have to be made. At least that is the problem, as I understand it. I am still not sure whether we are going to see an amendment from the government on this or whether the government is basically saying it would like to see the committee draft an amendment.

**Mr Ballinger:** I think what Mr Sweeney was hoping for more than anything today is that we could, with some discussion, come up with an appropriate suggestion. I could table with the committee a proposal for the amendment as it relates to soft capital, but at this stage what I am doing is just explaining to the committee on behalf of the minister the dilemma he finds himself in, in the hope that coming out of this committee will be some sort of formal resolution or recognition of some, I would not say forgiveness, but some break in the levy that would be applied against those portions of units in a subdivision that would be considered affordable housing.

**Mr D. R. Cooke:** I will come up with a suggestion then. I do not know whether this makes sense, but can we tell a developer at that stage that a certain lot on a plan has to have an affordable house on it and then lock him in and, I gather, fine him or do something drastic to him if it ends up that it is not an affordable house?

**The Chair:** You charge the full levy on affordable houses, I suppose.

**Mr D. R. Cooke:** I suppose, yes, then suddenly it switches over. It might be that the purchaser then ends up paying it.

**The Chair:** Could I ask if the intent would be to make that at the option of the municipality; that the municipality might decide to induce people to perhaps come in line with the suggested guidelines of building 25 per cent of the housing as affordable; that they would give the developer an incentive to do that by reducing the levies?

**Mr Ballinger:** That is the intent as it relates to provincial initiatives, yes. If it is 25 per cent of a specific development where affordable housing units would be constructed, some sort of reduction or different formula relate to those number of units.

**The Chair:** The reason I ask is that it is obviously different in every part of the province, so there would have to be a certain ability for the municipality, if it is going to use the 30 per cent rule, to determine affordability. They arrive at some form of average income in the municipality and determine what is affordable, and if you build under X dollars you get a break in the levies or they would simply charge full levies and would not be required to give a discount; they would just have an option. Would that be the idea?

**Mr Haggerty:** Could that not be done by regulation?

**The Chair:** I am sure it could be, but everything else is being done at the local option, so to speak.

**Mr D. R. Cooke:** Why should the committee not seize the opportunity then? Perhaps we can instruct legislative draftsmen to prepare an amendment encompassing this concept.

**The Chair:** I think we should talk it out a little more before we get to that. Ms Hošek, you have some comments?

**Ms Hošek:** I understand clearly the wish to make it easier for housing to get built at a more reasonable price, but the trouble with this one is that it cuts both ways. On the one hand, one wants to have as much housing out there as



people can actually afford to live in. On the other hand, if you create a situation in which it becomes disadvantageous to municipalities to have housing that is built in this way, then they really can say what we have in the past been trying to prevent them from being able to say, because it was not true: that there is a clear, automatic disadvantage to providing housing that is closer to what most people can manage to pay for it. I think it is a real struggle, philosophically as well as in terms of efficacy, what to do about this one.

On the surface, it looks as if you want to say, "Let's exempt housing labelled 'affordable' from the levy; let's just make it easier to get the stuff built and let's give people an incentive to build it." But the 25 per cent guideline is meant to be a floor, not a ceiling. If you make it clearly visible to municipal council that they are losing X dollars for the purposes of whatever it is they build with lot levies every time a unit is built, then the politics on the other side of it become quite strong too. I think it is a real struggle to figure out what the right thing to do is on this one.

**1600**

**Mr Ballinger:** There is no question about that, and the minister is concerned that the system is simple. I mean there have been many discussions, complicated formulas and the simpler, the better. If in fact any discussion that comes out of here is that it cannot be done, then that is fine, but again on behalf of the minister, he wanted to make sure that it was put on the table in the hope that we would have a discussion and see whether or not there is a feasible means and a simple way of doing it in the interests of supporting the affordable housing part of his ministry.

**The Chair:** I guess one of the difficulties I have is that you are almost in essence saying that there should be some way of building a sewer cheaper, if it is in an area where there are affordable houses, or a road cheaper, and that is simply not true. If the costs that the municipality is facing are justified and legitimate costs, the end price of the sale of the house should have nothing to do with it. These are probably inappropriate comments from the chair, but I made them anyway.

**Mr Ballinger:** You cannot challenge the chair. Under the new rules—

**The Chair:** —ask the Speaker for a spanking.

**Mr Ballinger:** That is right.

**The Chair:** Which I know you would love to do, but I am not going to let you right now.

**Mr Reycraft:** That presents a very interesting image, Mr Chairman.

**The Chair:** With my luck, Sam Cureatz would be the Speaker.

**Mr Reycraft:** Look to the seagull.

I think all of us understand the concern about the impact of lot levies on housing prices and we are all sympathetic to trying to do something about that, but I have a couple of concerns I guess with what Mr Ballinger is proposing.

I might say, first of all, that it was that concern about the impact of lot levies on the price of housing that led to a change in policy between the green paper that the Treasurer (Mr R. F. Nixon) had put out for discussion and Bill 20 as it was finally drafted. The green paper, as you recall, Mr Chairman, did propose that there would be a provision for affordable housing. The legislation, as it was drafted, changed that.

But another change that occurred was that, whereas in the green paper they are talking about the development charges for schools being applied only to residential development, the legislation provides that the development charges for schools be extended to commercial and industrial development as well. The net effect of that is to lower the development charge for schools on residential development. So that accommodation has been made.

One of the concerns I have is that we have had a fairly extensive consultation on a bill that does not propose to have any accommodation for affordable housing. We heard some reaction to the change between green paper and legislation, but I believe that there would be considerable concern if we were to introduce such a provision at this stage. I think we would be open to some criticism for doing so.

The other concern I have is the more basic one that has been referred to by others and that is simply a way of administering in a practical way such a provision. If lot levies are going to be collected at the time building permits are issued, it seems to me that it is extremely difficult to know whether the house for which the permit is being issued is going to be affordable or not, because an affordable house is one whose selling price falls below a certain level of income, a figure that is determined from income levels based on Statistics Canada information.

Even if one could determine what the selling price of the home was going to be at the time the building permit was issued—you might be able to do that in some cases because of presales—you would have no assurance that the house would not be sold a week or a month, or a couple of

months, afterwards at a much higher figure. You would end up then providing an exemption or a rebate under the affordable housing condition for a house that, in effect, ended up not being affordable. I think there is a serious administrative problem in trying to introduce any relief for affordable housing.

**Mr Morin-Strom:** One would think that a bureaucracy that really put its mind to it could come up with some kind of formula that would include some fairness in it. I cannot understand how anyone can justify having the same penalty on someone building a \$150,000 house as somebody building a \$1-million house. Surely we have principles of taxation which are related to ability to pay.

There would seem to be a few options in this case, one of which might be that it should be tied to a percentage basis as opposed to a flat, per-unit basis. The formula as it is now totally discourages the development of affordable housing, and I think that was recognized in the testimony we had before our committee by various groups, including some of those communities that have the highest lot levies. They frankly admitted to us quite directly that they have no interest in affordable housing and had not even ever discussed affordable housing as an issue on their councils.

Unless this government is going to be proactive in terms of forcing the issue of affordable housing, the imposition of a per-lot levy across the board on low-cost housing, which is the same as it is on the housing that the well-to-do are constructing in areas around Metropolitan Toronto, we will have a clear disincentive for builders to be able to build that levy into the cost of the home when they are attempting to sell on an affordability basis.

I would suggest that at least two approaches are possible: one is the percentage approach and the other is an exemption approach, where a housing development area meets a provincially mandated target in terms of selling price, that that be exempt from the lot levy.

If you are going to throw back "How do municipalities pay for the services then in that area?" perhaps the suggestion should be that the Ministry of Housing pay the lot levies on those lots that meet the target in terms of affordability in the major developments that are going on across the province.

**Mr Ballinger:** I wanted to respond to Mr Morin-Strom's comments about being proactive. I think all of us know John Sweeney well enough to know that the discussion I had this morning

was one of sincerity, one of no preconceived ideas; it had nothing to do with a discussion about the number of people in the bureaucracy, Karl, who could dream something up.

What he really wanted and asked me to convey to this committee is a sincere and honest discussion on his behalf and to say, "Listen, we are wrestling with this one." I do not mind if in fact the committee—in fact, what he hopes and encourages in this discussion—that last suggestion of yours—

**Mr Morin-Strom:** Two suggestions.

**Mr Ballinger:** I did not like the first one, but the second one, I thought, was one that would sort of reinforce the proactive position as it relates to affordable housing. Certainly the minister will be reading Hansard and will be interested in knowing the kinds of comments that are coming out of this committee.

1610

**Mr Mackenzie:** I have a little difficulty with my colleague Mr Reyecraft's comments on this issue. He pointed out that we have had rather extensive consultation on this bill, that it might be wrong for us now to consider another amendment that dealt with affordable housing and the lot levy issue in relation to affordable housing and projects. I simply remind you that we did have a lot of representations. There were a number that were made in terms of affordable housing, and indeed we have what the ministry calls "significant changes" made as a result of those hearings before this committee in five or six particular areas.

I do not know where the argument stands as to whether or not there should be another amendment. However, in terms of another amendment, I think what the minister should do, quite frankly, is bring an amendment in, as we have the other amendments here, before the committee and let's discuss it on the basis of an amendment. I see no difficulty with that. You probably have some. My colleague himself has made a couple of suggestions.

I am sure the minister is going to see that his own amendment is drafted if one comes in before this committee, but I certainly see no reason why it should be backed off from in view of the fact that as a result of the consultations, we have already had a number of significant amendments. So the argument just does not make sense that maybe we should stay away from it in this particular area.

**The Chair:** Okay. If there are no other comments on the affordable housing side of it, I



think you have had some thoughts on both sides of the issue and you can perhaps take those comments out of Hansard and go over them with your minister.

**Mr Ballinger:** I will do that. Thank you.

**The Chair:** If you do wish to draft an amendment, I think Mr Mackenzie's point is a valid one that if you bring it back to the committee, when we go through clause by clause, hopefully next Thursday, we will be delighted to deal with it.

**Mr Haggerty:** As I mentioned before, I think one other alternative is that we can send some signals to the minister that there should be some concern shown in this particular area. There should be some assistance given to those under the definition of "affordable housing" and it should be done by regulation without delaying the process of this bill going forward because it is going to be difficult. As long as he gets the message that there should be some provisions in the act or regulations that would provide assistance to a person purchasing affordable housing, for those on a different income.

**The Chair:** If we could at this time go back perhaps to the staff, you outlined five and this is six, the affordable housing or possibility of an amendment.

**Mr Ballinger:** Actually, it would go in concert with a redefinition of the definition of "capital."

**The Chair:** It would go under the definition of "capital"?

**Mr Ballinger:** The two are hand in glove. It would be two separate amendments but would relate to two leftover issues, I guess, that the minister has been wrestling with: the definition of "capital" on the one hand, and a motion that would relate to affordable housing and levies that were applied too, Mr Chairman.

**The Chair:** Fine. However you want to present them, they would be dealt with, I assume, as two separate motions.

**Mr Ballinger:** Yes.

**The Chair:** And voted on accordingly. What I was hoping that you would do is just, in perhaps a one-sentence or a one-definition form, give us what those five critical amendments are. I have definition of "capital cost," but then I made notes on the hydroelectric commission cross-boundary issue, the phase-in period. Are they part of the five or are they part of one?

**Mr Cowin:** I have really called these significant changes, if you will, and there are two or

three that were made to the definition of "capital cost," which I would say were all significant. They will probably come forward as one amendment or one motion, but there are several changes, if you will.

**The Chair:** They were the ability to charge impost fees or levies for Hydro works?

**Mr Cowin:** For all local boards, including Hydro works.

**The Chair:** Including Hydro. The cross-boundary issue and the phase-in period all came under that one.

**Mr Cowin:** No, the cross-boundary issue would also have come under the definition of "capital." What Mr Ballinger has discussed would be dealt with under the definition of "capital," so that is all under the definition of "capital."

**The Chair:** Okay.

**Mr Cowin:** The phase-in period is expanding it from one to two years, as I believe section 42 of the bill says.

**Mr Chipman:** And 43.

**Mr Cowin:** And 43. The definition of "capital" is in section 1 of the bill. The whole front-end service expansion really involves amendments to section 20 of the bill, where we expanded the definition of front-end financing to include any service.

The new subsection regarding collection which has been added I believe is subsection 9(2a).

**The Chair:** I have four then. I have the definition of "capital cost," the phase-in period, front-end financing and collection.

**Mr Cowin:** Well, that is all there are then, I guess. As I said, several of those changes would have really come under the definition of "capital."

**The Chair:** Okay. If no one else has, I have a couple of brief questions, just for clarification, on the early payment concept that you are talking about. Are you saying that the levies could be paid at draft plan approval, or exactly what is the earliest that the municipality could receive a payment? The second part of that is, would it be at the option? Would the municipality be able to say, "We will only accept your levies when you apply for your building permits or when they are issued"?

**Mr Cowin:** I think I will defer to John on this.

**Mr Chipman:** Under the proposed amendment, subsection 9(2a), the municipality could, by agreement with the owner, receive payment



and early payment from the owner at any earlier date. There are no time limits set out in that. The payment would be pegged to the development charge as it existed at the time it was paid, so that when the owner came along at a later date to seek building permits, he would not then be required to make another payment at a higher charge, assuming that in the interim the charge had been increased by indexing.

**The Chair:** What is the earliest? Can you pay the levies when you submit an application for draft plan approval, or do you have to have registration?

**Mr Cowin:** There is no stipulation.

**Mr Chipman:** There is no restriction in the legislation. It would be as a matter of agreement, whenever the municipality and the owner were agreeable to the payment. It is in their hands.

**Mr Cowin:** Whenever we deal with anything by way of agreement, we tend not to put very many other caveats in.

**The Chair:** I had one other question with regard to front-end financing. I think you used the term "any other service." Could you maybe expand on what you mean by that?

**Mr Cowin:** We received a brief from Richmond Hill. They had some 16 different services that they had listed in a front-end agreement. They did not specify what they all were, but we heard from the Urban Development Institute that parks might be something included in the front-end agreement. Certainly we never had hydro facilities, major transmission lines and so on in there either.

It had simply occurred to us that we avoided the temptation of listing the kinds of services and the development charge because of the fact you could leave something out. We thought we were, in essence, being told by a number of these other municipalities that things like hydro, major hydro transmission lines, were things that were left out, so we thought the easiest way to do it would simply be to allow them to provide whatever services they mutually agreed to. I would point out, however, that the front-end developer will only be reimbursed for those services which are specified in the development charges bylaw.

**Mr Mackenzie:** Would not also the provision of water services turn into a fairly large series of developments?

**Mr Cowin:** I am sorry, sir. I did not quite get your full question.

**Mr Mackenzie:** Water, when you are getting into a series of developments.

**The Chair:** Downstream improvements.

**Mr Cowin:** I am not quite sure what you are asking me.

**Mr Mackenzie:** That was one of the costs that they felt—

**Mr Cowin:** Oh, I am sorry, yes. Those kinds of costs are certainly the kinds of things, I think, they were getting at.

**The Chair:** So the municipality can negotiate an agreement to charge for whatever downstream or whatever items the developer would agree to, but could only give them a levy credit or a reimbursement for the items that are defined under capital costs in the legislation.

**Mr Morin-Strom:** I was wondering if they could use that as a means of getting through front-end financing the costs of health care services or hospitals.

**Mr Cowin:** If a front-end came along and, for some reason, could be persuaded to pay for the cost of a hospital or provide a hospital, he would only be reimbursed for those services which could be levied for under a development charge, so he would not get reimbursed for that hospital. A developer may choose to put in extra services that he would not be reimbursed for if he chooses to make his development more attractive.

**Mr Morin-Strom:** What do you mean by reimbursed?

**Mr Cowin:** In essence, the way a front-end agreement works is that the front-end payment is made by the front-end developer. As subsequent development comes along, future owners who will benefit are expected to pay their share of the front-end payment as that development occurs, and those payments are used to reimburse the front-end developer.

1620

**Mr Morin-Strom:** But with a municipality that had enough developers wanting to develop or with valuable enough property that they had the leverage to be able to negotiate a front-end agreement including the cost of the hospital, that is not precluded by this bill.

**Mr Cowin:** To have an agreement that includes—

**Mr Morin-Strom:** A front-end agreement that would include a share of the cost of a hospital.

**Mr Cowin:** The only caveat, I would say, is that it is not going to be reimbursed from future lot levies that are raised by that municipality, because it could not levy for the hospital.

**Mr Morin-Strom:** If he is the only developer and has the whole area in his sole control, then he does not need reimbursement.

**Mr Cowin:** In essence, when he is putting up these front-end costs, he is putting up not just his share but everybody's share. If he is the only land owner, he is—

**Mr Morin-Strom:** I am saying if he is the only land owner.

**The Chair:** There is no need for a front-end agreement.

**Mr Cowin:** Yes, I guess that would be my observation, that there is no need for a front-end agreement.

**The Chair:** The way we always envisioned front-ending was that if you have a tract of land in a north-south mode and there are a number of developers, and one of them wants to go and the others are not ready to go, that one can enter a front-end financing agreement with the municipality, pay all the municipality's costs to handle the infrastructure downstream and then the municipality, in the way it used to work, would offer under its best efforts to reclaim the money from future developers.

Under this scenario, there would be an agreement that would require the developers, in paying their levies, to pay the levies to the municipality which would then reimburse the developer. I understand what you are saying.

**Mr Chipman:** That really is the main reason for this provision. As you say, a lot of municipalities do use front-ending agreements now. It is to ensure there is a mechanism whereby the other owners can be required to pay the moneys, which then flow through to the original developer, the person who entered the front-end agreement. At the moment there is no legal authority to require it and municipalities just use their best efforts, which may vary.

**The Chair:** There is no legal authority for lot levies either, but they have been doing it.

**Mr Haggerty:** I have one concern in this area, where we talk about hydro services. I have seen it happen in the area I represent. The municipality had put pressure on the developer to put underground hydro services in. Of course, it was in rock and the fellow went broke doing it. I hope that if we are looking at affordable housing, we do not get caught in this area. You get some municipality that says all underground services are required and then you allow Bell Canada to come in and piggyback and the cable to piggyback, without any contributions to the installation of the services.

Looking at this area, the cost almost tripled from overhead wires and it finally broke the developer and there was the delay in finishing the project. I just flag that for you, that there may be a problem in this area so that you do not overburden developers when you talk about affordable housing. You are looking at services costing maybe \$15,000 for that alone if you go to underground services.

**The Chair:** Could you expand, for my information, under the definition of "capital cost"—Mr Ballinger said there would be an amendment on the rolling stock—he is back and maybe he can do this—as to what exactly is the expansion? This committee heard, and others of us have heard, requests from municipalities for the hospital issue that has been talked about, fire trucks, park vehicles, whatever, construction—

**Mr Haggerty:** Snow removal

**The Chair:** —snow removal, all of those things, library books. Can you tell me if those issues are included in the amendment and what else might be.

**Mr Ballinger:** As most members are aware, there were quite a number of submissions made to expand the definition of what we know as "soft capital." We have had considerable discussion in the last couple of days. In the research paper that was put together by Anne Anderson, on page 2 and page 3, there are several definitions in submissions. We sort of looked around the Association of Municipalities of Ontario submission. We will be tabling a formal amendment or motion, I guess, for clause-by-clause. We have had discussions based on a number of the submissions, the high-growth areas, the AMO submission, looking at a workable definition.

**The Chair:** So it is this but it is expanded beyond this, what I see on page 3.

**Mr Ballinger:** I cannot give you anything specific at this time because I do not have a definite amendment. This is just based on the discussions. As I said, the minister was wrestling with that as well as wrestling with the housing side.

**The Chair:** We have heard from Mr Ballinger. Does anyone have any questions on the educational component of the bill, the levy, that might be directed to Mr Keyes or to Education staff? We also have Mr Reyecraft, for Treasury and Economics. Did you have a question, Mr Reyecraft?

**Mr Reyecraft:** I have a question for Mr Keyes or someone from Education. During the hearings, we heard concern for builders who had



presold homes before they knew the province was going to allow municipalities to introduce development charges for education, for schools. It was the opinion that there might be financial hardship resulting from that situation. I looked at the amendments I have received. I have not seen any accommodation of that concern and I am interested to know if there is one.

**Mr Keyes:** Mr Chairman, with your permission, I will ask Brian Lenglet to speak to that one. I apologize because I do not have the exact answer on that.

**The Chair:** Brian, could you come forward to a microphone. Did you hear the question?

**Mr Lenglet:** Yes. We have put together, but not included in the package, the power to deal with that exact situation by regulation, the question of presold homes, establishing the basis on which that would be provided by regulation.

**Mr Keyes:** Just for further clarification, could I ask what the regulation would say? Are you saying the regulation would allow for the municipality or the school board to have the regulation apply to presold lots?

**Mr Lenglet:** It would specify the conditions under which an exemption on presold properties would be provided. It seems a short-term situation in terms of these properties that were sold prior to 12 December 1988 and for reasons of delay in the process have not been built according to the sale contract at the time the lot levy goes into effect.

**Mr Reyecraft:** Would the effect of the regulation be to exempt from development charges for education any homes that were presold before the 12 December 1988 date?

**Mr Lenglet:** The intent would be to provide for a regulation that would specify the conditions under which that would be done.

**The Chair:** Did I understand that clearly, that those homes will not be required to pay levies for the education portion? I am assuming they were sold—

**Mr Lenglet:** By the regulation, they would be exempted from the levy. The school board will not be able to collect a levy on those properties, although the building permit will be issued after the date of the lot levy bylaw going into effect.

1630

**Mr Morin-Strom:** There is an issue that was brought up in the hearing and had to do with the astronomical cost of land in some communities. The cost of the schools, in some cases, was not the big issue; it was the cost of the land. There

was some suggestion that rather than levying for land and as well making boards have to purchase land as part of the cost of providing schools, perhaps there could be something along the lines of what municipalities have, in terms of a designated percentage of the area that is being developed having to be set aside for parks, I think it is.

Have you given serious consideration to setting aside a percentage for school boards? The individual developers would have the option of either setting aside a percentage of land or providing a cash payment in lieu thereof. One of the developers actually provides the land, but the other developments then in a sense all pay for it at a going market rate and the land then gets taken out of the picture, particularly in those areas where land values are perhaps \$500,000 an acre.

**Mr Keyes:** This issue was raised extremely frequently and well in the select committee hearings on the financing of education. When that report is completed there will be some recommendations contained therein, I believe, relative to that issue, but I do not believe, subject to correction, that consideration was looked at here on the imposition of lot levies.

It does not seem to be the appropriate place to try to build in that type of total change. Here we are looking at lot levies and how they can be used for educational purposes, and at the moment the purchase of land is still included in that. I would suggest that to try to bring that into this legislation would be somewhat premature since it totally involves a different philosophy, but one that, I reiterate, we will certainly have a recommendation on from the select committee, as I saw it in our last draft.

**Mr Morin-Strom:** Unfortunately, we might be in a position of putting lot levies on to pay for the cost of land in the short run, when in the long run you do not want to do that, and that may make a significant difference in the amount of the lot levies, particularly in those communities where land values are so high.

**Mr Keyes:** We have to look at the status as it is at the present moment, and therefore the legislation in my opinion is rightly drafted to say that it should include at the moment the cost of land as one of those factors. I do not think we could hold up recommendations on that aspect of this legislation pending what comes merely as a select committee report, which may or may not be acted upon by the government. I cannot say exactly what that recommendation will or will not be. It is being considered in the next room right now, which I cannot attend. It will be some



time before that report is out. I believe this legislation is anticipated being considered by government even prior to the release of that report. I do not know whether the issue was discussed at any great length by staff. I would be glad to have Brian comment on it.

**Mr Lenglet:** Yes, it was considered by staff. The conclusion was that the subject area was important, but that it was not specifically the area of concern of the education development charge, and so should be proceeded with from a view to looking at the Planning Act or some vehicle that would be appropriate to that kind of change, acknowledging that it is possible it would have a consequence on the quantum of the lot levy and that there would have to be an amendment to that lot levy.

In terms of the cost of developing a parcel of land, whether you slice the cost off in terms of a land dedication on the front end or on a lot levy charge, there is still a charge that occurs as part of that development, so one is not changing the basic equation that much. It probably makes a lot of sense but this is not the vehicle for it.

**Mr Mackenzie:** I have a general question. I am not sure whom to direct it to. We have a bill that covers 49 sections and we have 52 amendments here. It is now obvious we will have more. We have an update today. I presume that is what it is. I do not know whether they are additional amendments or what, but there are changes to be made in the original list of amendments. I wonder how close we are now to the final draft of the bill that we will be dealing with clause by clause.

It has been a long time since I remember quite as many of them. The thing does not appear to be clear yet and you want a clause-by-clause discussion starting with the next meeting.

**The Chair:** I guess the final draft of the bill will depend on our deliberations on all these amendments when we go through it clause-by-clause, which hopefully will happen next week. Are there any other questions on the education aspect of the bill? Mr Keyes, thank you for coming. You may want to go and give our input into the education committee next door.

**Mr Keyes:** We are finished here. Thank you very much. Does that mean that basically the staff can be allowed to return?

**The Chair:** I think they can go and put in another four or five hours before they go home.

**Mr Keyes:** Very good; as usual. Thank you very much.

**The Chair:** The only area we do not seem to have dealt with many questions on is Mr Reycraft's area, as parliamentary assistant at the Ministry of Treasury and Economics. I will perhaps throw on to the floor an opportunity to ask questions of Mr Reycraft or staff from that ministry, who I presume are here, about any sections that pertain to them, if there are any. If not, I think that probably completes our deliberations for today, save and except that Mr Ballinger has a comment.

**Mr Ballinger:** Just a question, I guess more to Mr Morin-Strom and Mr Mackenzie, about their counteramendments.

**The Chair:** I was just about to do that, actually.

**Mr Ballinger:** I apologize, Mr Chairman.

**The Chair:** That is okay.

**Mr Ballinger:** I did not mean to be twinned with you at all.

**The Chair:** I know that at times we are referred to as Pete and Repeat, but this time I will ask the question. I think it is a valid point. I guess what we want to do now is decide and be sure that we are in agreement that next Thursday we are going to go to clause-by-clause. We hope the opposition amendments will be available to us as well as all the government amendments—hopefully there are no more, Mr Mackenzie—but in any event that they are all here and we can roll up our sleeves next Thursday and get down to dealing with them. Is that pretty well agreed upon?

**Mr Morin-Strom:** Yes, I think we can start clause-by-clause. It is kind of difficult. Fortunately, we have not drafted our amendments to this point, because it is a moving target. You had the bill with 49 sections; then we got 52 amendments to those and now today you have presented us with another 16 pages of changes, so I guess we have to go—

**Mr Ballinger:** We have seven that are substantive. Be fair.

**Mr Mackenzie:** Why did you need all the housekeeping—

**Mr Morin-Strom:** I guess the target is going to move again next week because you are going to bring a couple more in next week.

**Mr Ballinger:** No. I give you this assurance now: You will have them by Tuesday, at the latest. I will table those other two amendments with you.

**Mr Morin-Strom:** Okay. We will have a very short list of amendments.

**The Chair:** We will be ready to go next Thursday morning.

**Mr Haggerty:** Next Thursday, clause-by-clause.

**The Chair:** Next Thursday, 10 o'clock in the morning, clause-by-clause.

**Mr D. R. Cooke:** I presume from Mrs Cunningham's comments this morning, and from the fact that the Conservatives did not ask any questions this afternoon, that they are satisfied and we will not be hearing—

**The Chair:** I would not presume that. It is a valiant attempt to put that on the record, but I would not presume that. We have had a request, by the way, to switch committee rooms with the standing committee on public accounts. They are moving in camera next Thursday and they would like to come in here, which would put us in room 151.

**Mr Haggerty:** You are not suggesting television next week, are you, on clause-by-clause? It would be a big act in there when you are on television.

I want to bring one matter to the chairman's attention. We look at the proposed amendments put forward by the government, and even the opportunity for the official opposition members to bring forward amendments. When you take a bill to the public and ask for public input into it and you get this many amendments to the bill, it is an indication that the government is listening.

**Mr D. R. Cooke:** Yes.

**The Chair:** Thank you very much. I am sure there will be more opportunities to drive that point home in future meetings. This meeting is adjourned.

The committee adjourned at 1640.

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### STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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Polsinelli, Claudio (Yorkview L) for Mr Ferraro

Pope, Alan W. (Cochrane South PC) for Mr Runciman

**Clerk:** Freedman, Lisa

**Staff:**

Anderson, Anne, Research Officer, Legislative Research Service

**Witnesses:**

**From the Ministry of Health:**

Grandmaître, Bernard C., Parliamentary Assistant to the Minister of Health (Ottawa East L)

**From the Ministry of Education:**

Keyes, Kenneth A., Parliamentary Assistant to the Minister of Education (Kingston and The Islands L)

Lenglet, Brian, Manager, Policy/Legislation Liaison

**From the Ministry of Municipal Affairs:**

Ballinger, William G., Parliamentary Assistant to the Minister of Municipal Affairs (Durham-York L)

Cowin, Dan, Economist, Grants and Finance Policy

Chipman, John G., General Counsel, Municipal Affairs













No. F-3

# Hansard

## Official Report of Debates

### Legislative Assembly of Ontario

#### **Standing Committee on Finance and Economic Affairs**

Development Charges Act, 1989

Ontario Municipal Improvement Corporation Amendment Act, 1989

**Second Session, 34th Parliament**

Thursday 2 November 1989

Speaker: Honourable Hugh A. Edighoffer  
Clerk of the House: Claude L. DesRosiers

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 2 November 1989

The committee met at 1012 in room 151.

### DEVELOPMENT CHARGES ACT, 1989 (continued)

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

**The Chair:** Good morning, ladies and gentlemen, could we call the standing committee on finance and economic affairs to order? I see a quorum. The purpose of our meeting this morning is to consider Bill 20, An Act to provide for the Payment of Development Charges, clause-by-clause. Could I ask perhaps—

**Mr Cureatz:** You are having a meeting.

**The Chairman:** You are having a meeting while we are trying to convene the meeting. If you could call the meeting to order—

**Mr Cureatz:** Are you the chairman? What is going on?

**The Chair:** I am the chairman, Mr Cureatz. If you would take your seat, we would be deeply appreciative—or leave.

**Mr Cureatz:** I think I will leave.

**The Chair:** All right. Good to see you come; good to see you go.

In any event, to get back to the meeting, could I ask, are there any questions, comments or amendments to this bill and to what section?

**Mr Ballinger:** Good morning, Mr Chairman and members of the committee. I am very pleased to be here this morning and table with the committee a number of government amendments that I hope we will have the opportunity to discuss fully this morning, and a reasonable resolution of Bill 20 at the end of the day.

**The Chair:** Thank you. You have here a package of amendments and I assume that they will be distributed to the members to be read out as we proceed through the sections?

**Mr Ballinger:** Yes, every member.

**The Chair:** Could I ask if there are any opposition amendments?

**Mrs Cunningham:** One. I was going to ask for some agreement of the committee around the timing of debating it, at least, in that I am in and out of the House on two other things this morning, so I would like to do it this afternoon as soon as the committee resumes, if that is all right.

**The Chair:** Could you just tell us what section you are referring to?

**Mrs Cunningham:** I believe it is 28.

**The Chair:** Section 28?

**Mrs Cunningham:** It is the removal of part III, anyway. It is a simple but long-reaching amendment. I will give it to you now.

**The Chair:** Fine. Thank you.

**Mr Ballinger:** Surprise, surprise.

**The Chair:** Is it agreed that the first order of business this afternoon will be to deal with the amendment from the Conservative Party, and if we get there this morning, we will simply hold it over?

**Mrs Cunningham:** Could I ask another question?

**The Chair:** Yes.

**Mrs Cunningham:** We were given the government amendments in full, I think, yesterday; is that correct?

**The Chair:** The package you have this morning is an updated package. There are 54 amendments. That is it right in front of you. That is updated.

**Mrs Cunningham:** Just a question. I was trying to resolve this with Mr Ballinger, but we were interrupted by the chairman, so we will resolve it in public, which is fine.

**The Chair:** Life is tough.

**Mrs Cunningham:** The affordable housing amendment: I did not receive that yesterday. I consider it a rather important one and I want to know where it is.

**The Chair:** I am informed by the clerk that it was just received this morning.

**Mrs Cunningham:** I looked for it.

**The Chair:** What number is it? Mr Ballinger, do you know what number it is in this package?

**Mr Ballinger:** I am just looking at my new package as well.

**The Chair:** Page 4a.

**Mrs Cunningham:** Correct me if I am wrong; I want to be fair. Obviously, I will be making some comments. If I have missed seeing it, Mr Ballinger, I will apologize, but I did not see it as I looked through the package I was given.



**Mr Ballinger:** I guess yesterday when we passed out the explanatory notes—there is an explanation in the explanatory notes. I am led to understand that the actual amendment was tabled first thing this morning, but in these explanatory notes there is a small explanation of the inclusion of that.

**Mr Mackenzie:** What section or subsection was that?

**The Chair:** Subsection 3(4a).

**Mr Ballinger:** It is on page 3, the second clause, of the explanatory notes that I passed out yesterday and I tabled with the opposition members.

**Mrs Cunningham:** I am obviously going to have to have some time to respond to this one. It is not something that I can go through in order. I do not know how you want to do that; there are only so many hours in the day. I would like 20 minutes to think about it.

**The Chair:** We could stand that down. You have to speak in the House this morning, as I understand it.

**Mrs Cunningham:** I was pretty prepared to go through this in some semblance of order and spend a lot of time on it, but I have not spent any time on that one and I need it. I think it is a very important one.

**The Chair:** What is your request?

**Mrs Cunningham:** I do not know.

**The Chair:** Stand it down until this afternoon?

**Mrs Cunningham:** Stand it down until this afternoon, or perhaps if I can be here consistently some time after 11 am, I would be happy to deal with it then if I am given some thinking time.

**The Chair:** We will go through the clause-by-clause. If we arrive at that and you are not in the room, we will stand it down, if that is agreed by all members, until either you are in the room or first thing this afternoon. I think that is a fair request.

**Mr Keyes:** I think I should just notify all members that there was an amendment tabled with the clerk this morning from the Ministry of Education relevant to section 28 with regard to capital costs on education. They have asked that it be distributed to the members, if that is appropriate.

**The Chair:** Section 28 is being held until this afternoon at the request of Mrs Cunningham, but yes, that could be distributed.

**Mr Keyes:** I felt perhaps it might be advisable to give it to her now so that staff and she herself can look at it.

**The Chair:** Fine.

**Mrs Cunningham:** I would suggest that would be in good sense.

**The Chair:** Well, you have it now.

**Mr Keyes:** I try to use good sense with you, madam.

**The Chair:** It is nice to see us all getting along this morning.

**Mr Ballinger:** It is okay, Mr Chairman, certainly.

**Mrs Cunningham:** It is.

**The Chair:** Okay. Mrs Cunningham, do you have anything else?

**Mrs Cunningham:** Not at the moment.

**Mr Morin-Strom:** Our party does not have a package of amendments to this bill. Our feeling is that this bill is beyond hope of retrieval and that the evidence of that certainly comes from the last three weeks we have been in committee dealing with this bill and from the numbers of amendments the government has had to bring forward itself to try to fix this bill.

I think it was approximately three weeks ago that the first package of government amendments included some 54 pages of amendments to a bill that only has 48 sections. Last week we got another package, I think, of 16 pages of government amendments, and now today we have got a new compilation of all the government amendments, which appears to include approximately 20 pages of new government amendments again. The bill is being changed from the government's perspective with such rapidity that it is quite clear that the flaws in this bill are fully recognized by the government as well as everyone else who can see what the government is proposing here.

Of course, we do not support the bill in principle as well, but we are quite amenable to the process of starting to go through the various sections one at a time and addressing the various changes that the government now has to its own bill.

1020

**Mr Ballinger:** If I might just respond very briefly—

**Mr Mackenzie:** You should quit while you are ahead.

**Mr Ballinger:** Thank you, Bob.

—I will try to put on the table my minister's perspective, I think, of the process. I appreciate the comments from the member for Sault Ste Marie. However, I think it is important that each and every one of us here understand the process.

The process is that the government tabled the bill. We went to public hearings. We received numerous briefs. In fact, the research officer did a great job of compiling all of the presentations before the committee and our ministry went back and reviewed. As most of you know, I have only been the parliamentary assistant to the Minister of Municipal Affairs (Mr Sweeney) for a short time, but in fact there was an honest and sincere attempt to review all of the submissions to put forth a bill that will obviously not satisfy everyone, no piece of legislation ever does, but this particular bill, I believe, addresses a lot of the issues that came out of the public hearings. The government has focused in on those and made what I consider to be reasonable amendments.

**The Chair:** Okay, let's get on with the clause-by-clause of this bill. We have a very busy schedule. I should inform members that just prior to recessing at noon we will deal with the report of the subcommittee which lays out our proposed schedule for the balance of this session for approval of the committee. We have a number of items that are coming before us that have been referred by the Legislature, so it is important that we move as conscientiously as possible.

Let's begin with section 1 of the bill. Could I ask if section 1 carries?

Section 1:

**Mr Ballinger:** I wonder if I could invite Dan Cowin from the municipal finance branch and John Chipman from the municipal legal branch to come to the table to assist in any of those technical questions that any of the members may have.

**The Chair:** Mrs Cunningham, do you have a problem with that?

**Mrs Cunningham:** I do have a concern about the section.

**The Chair:** No, do you have any problem with Mr Ballinger's request that the staff come forward to the table?

**Mrs Cunningham:** No.

**Mr Ballinger:** John and Dan, could we have you come forward, please, just to make sure that we answer—

**The Chair:** Are there any amendments to section 1? Could we get that on the floor? Then we can deal with those amendments.

**Mrs Cunningham:** I will seek your guidance on this one as well, Mr Chairman. My concern is with regard to the definition of "capital cost."

**The Chair:** Are you concerned about the amendment that has yet to be put forward that I am attempting to get put on the floor?

**Mrs Cunningham:** Yes, and I just want to make sure I can speak. I want to make sure that if it comes up as I leave the room, somebody will stand it down.

**Mr Ballinger:** Then I will move to get it on the floor.

**The Chair:** Just a moment, please. Mr Ballinger, are you making a motion?

**Mr Ballinger:** Yes.

**The Chair:** Mr Ballinger moves that section 1 of the bill be amended

"(a) by striking out the definitions of 'benefiting area,' 'capital cost,' 'front-end payment,' 'net capital cost' and 'services' and inserting in lieu thereof the following:

"'benefiting area' means an area defined by a map, plan or legal description in a front-ending agreement as an area that will receive a benefit from the construction of a service;

"'capital cost' means costs incurred or proposed to be incurred by a municipality or a local board thereof directly or under an agreement,

"(a) to acquire land or an interest in land,

"(b) to improve land,

"(c) to acquire, construct or improve buildings and structures,

"(d) to acquire, construct or improve facilities including,

"(i) rolling stock, furniture and equipment, and

"(ii) materials acquired for circulation, reference or information purposes by a library board as defined in the Public Libraries Act, 1984, and

"(e) to undertake studies in connection with any of the matters in clauses (a) to (d),

"required for the provision of services designated in a development charge bylaw within or outside the municipality, including interest on borrowing for those expenditures under clauses (a), (b), (c) and (d) that are growth-related;

"'front-end payment' means a payment made by an owner pursuant to a front-ending agreement, which may be in addition to a development charge that the owner is required to pay under a development charge bylaw, to cover the net capital costs of the services designated in the agreement that are required to enable the land to be developed;

"'net capital cost' means the capital cost less capital grants, subsidies and other contributions made to a municipality or that the council of the municipality anticipates will be made, including

conveyances or payments under sections 41, 50 and 52 of the Planning Act, 1983, in respect of the capital cost;

“‘services’ means services designated in a development charge bylaw or in an agreement made under section 20, as applicable;

“(b) by striking out the definition of ‘front-end services’; and

“(c) by adding thereto the following definitions:

“‘development’ includes redevelopment;

“‘local board’ means a local board as defined in the Municipal Affairs Act, other than a board defined in subsection 29(5a).”

**The Chair:** Mrs Cunningham, do you wish to speak to that amendment?

**Mrs Cunningham:** Yes, I do. I would like you to make a ruling on the motion that has just been put with regard to the definition of “capital cost” to include rolling stock. The reason I think that this definition change is not appropriate is that it alters the principle of Bill 20 as it was first presented to us by the government in May. I feel there should be much opportunity for public debate around that.

“The purpose of the bill is to permit both municipalities and school boards to impose development charges on all types of development that will increase the need for municipal services or school facilities,” and that is a quote that you will all recognize. Including equipment in the definition of capital costs significantly alters what is considered in this category.

I guess my only personal comment would be that I have not seen an accounting system that includes equipment as a long-term asset in the usual definition of a capital cost.

On a point of order, Mr Chairman: If an amendment is proposed at the committee stage and it does alter the principle of the bill, which I believe this one does, it must be ruled out of order. There are a number of precedents that I would be willing to cite with regard to amendments to bills at committee stage that alter the principle of the bill or add a new principle. I know everyone would agree that this is a new principle. It was not part of the original intent of the bill. There are numbers of precedents where chairmen have been asked to rule on this and I could give them to you if you would like.

**The Chair:** That is your option. If you wish to read precedents, please go ahead. I have some people who would like to speak to your suggestion and I am prepared to listen to argument.

**Mrs Cunningham:** There were precedents, and we have researched this in the journals from 28 May 1920 reaching right up to as recently as 30 June 1981 and another one on 7 June 1983, which is the more recent one. I would be happy to table them. There are precedents that where you change the principle, you cannot table them in committee.

**The Chair:** Perhaps you could provide us with copies of that.

**Mrs Cunningham:** That is your ruling.

**Mr Ballinger:** I am slightly perplexed on the position the member for London North is taking regarding the expanded definition of capital. We in no way, shape or form believe that what we have done alters the intent of the bill. What we have done, quite simply, is just to expand on the definition in the bill.

Quite honestly, I spent yesterday with the chairman of the Association of Municipalities of Ontario, who happens to be a constituent of yours, Mrs Cunningham, and obviously, AMO did not get everything it requested but certainly a very strong submission was made to the committee during the public hearings from AMO and growth-related boards that asked us to completely open the definition of capital.

As a government, we took a look at all of those submissions and thought we had struck some middle ground. As a former mayor, I can tell you that to allow a growth-related area to construct a firehall but not be allowed to include the rolling stock or the equipment within that firehall, including Scott air packs and hoses and things that are necessary to provide the services to the taxpayer, I subscribe to you does not seem to fit in with the intent of allowing facilities to expand. We heard those submissions under the public hearings and we have accommodated them and quite honestly, in speaking with Mr Hopcroft yesterday, as the president of AMO, in the discussion that we had about what we were trying to do as a government he seemed genuinely pleased that the government had listened to the submissions from the major growth-related municipalities, as well AMO, which happens to represent, as Mrs Cunningham knows, the almost 900 municipalities across this province of Ontario.

**1030**

**The Chair:** Are there any other comments? Your request for my ruling—

I am sorry, Mr Mackenzie.

**Mr Mackenzie:** I am not sure whether it alters the intent of the bill entirely, it certainly enlarges



the definition of capital costs substantially. The member has read out the presentation we got from a number of groups in terms of the fire engines being included in the fire halls, but my concern is just to what extent this change may very well mean a transfer of costs from property tax to the lot levy legislation. It seems to me it is inviting some major shifts in taxation.

**The Chair:** Thank you very much. Mr Ballinger?

**Mr Ballinger:** I just want to respond to Mr Mackenzie, if I might. The whole premise of the bill is municipally permissive, but it is for growth-related costs. The underlying factor in this bill is we are talking about levies that are applicable to growth related costs and by no means, Mr Mackenzie, is this an attempt to transfer costs from the mill rate to the levies. It is to address those areas where growth is creating expansionary costs to the existing taxpayers.

**Mr Mackenzie:** This will not have that effect, then, or cannot have that effect.

**Mr Ballinger:** The bill, as you know, has a process of public input, as well as discussion with the proponents of the development and it has an appeal process within the bill whereby if a developer, as an example, believes that those costs are not being attributed to the growth areas, he has the right of appeal to the Ontario Municipal Board. I believe there is a good check-and-balance system within Bill 20.

**The Chair:** What we are dealing with here is a request for me to make a ruling. Are there any other comments with regard to that request for my ruling? I believe your question to me is that you feel that the addition of subsection 1, which includes rolling stock, furniture and equipment, would alter the principle of the bill.

**Mrs Cunningham:** That is right and I have read into the record the principle of the bill. Anyone can take a look at the difference between the definitions of capital costs and the expansion of that by this amendment and clearly, I think there is a difference.

**The Chair:** Are there any other comments? I have just had an opportunity to discuss this with the clerk and I would read for members under explanatory notes on the first page of Bill 20, where it states in the top paragraph, "The purpose of the bill is to permit both municipalities and school boards to impose development charges on all types of development that will increase the need for municipal services or school facilities."

It would be my ruling that rolling stock, furniture and equipment would and could come

under the guise of the definition of municipal services and possibly even school services and therefore it is my ruling that that does not alter the principle of this bill.

Are there any other comments to the amendment that has been put forward by Mr Ballinger? If not, shall the amendment carry? I am sorry, Mr Morin-Strom.

**Mr Morin-Strom:** I would like to ask whether any government officials have taken a look at the impact of the expansion of the definition of capital costs in particular—there may be impacts of some of the other changes that have been made in definitions here, as well—and what that is likely to mean in terms of the costs of lot levies, which we know are going to be substantial in terms of what we have already heard in testimony, and what may the impact of that be on affordability of housing in these high-growth areas?

**The Chair:** Your question then, presumably, is to staff from the Ministry of Municipal Affairs.

**Mr Cowin:** On the municipal side, most municipalities are already including these elements in their levies. On the education side, perhaps the Minister of Education (Mr Conway) could answer better, but I do not believe that levies are going to be significant for rolling stock, in particular, so I would not envisage a very serious impact given that these were already being incorporated.

**Mr Morin-Strom:** Currently municipalities are having a free-for-all in terms of what they want to do with lot levies. This bill, I thought, was to try to make more specific for which items they were going to be able to charge lot levies. We had an original definition in the legislation, which was the bill as it went through the Legislature on second reading. Now we have had a change in it. I am asking what is the impact of that change—

**Mr Cowin:** Oh, of the change?

**Mr Morin-Strom:** —on the amounts of lot levies?

**Mr Cowin:** We have heard that these items might account for 10 per cent to 15 per cent of the total costs that municipalities are levying for now.

**Mr Morin-Strom:** So presumably that is a penalty of another \$1,000 or more on a typical lot levy.

**Mr Cowin:** Over what it might be under Bill 20, but not over and above what it is now.

**Mr Ballinger:** Just to follow-up Mr Morin-Strom's comment, the intent of Bill 20, obvious-

ly, is to put some semblance of order into the lot levy system in Ontario, and we believe that will do that.

**The Chair:** Are there any comments with regard to the amendment that has been put forward? Shall the amendment carry?

Motion agreed to.

Section 1, as amended, agreed to.

Section 2 agreed to.

Section 3:

**The Chair:** Mr Ballinger moves that section 3 of the bill be amended by adding thereto the following subsection:

“(4a) Despite subsection (3), a bylaw passed under subsection (1) may,

(a) designate categories of institutions for the purposes of clause (b);

(b) provide for a full or partial exemption of designated categories of institutions”–

**Mr Ballinger:** I am sorry, this is the one that we should stand down.

**The Chair:** This is one that we have had a request to stand down. So you can hold that until the member for London North (Mrs Cunningham) is in the room, or first thing this afternoon.

**Mr Ballinger:** Mr Chairman, would you like me to finish to get it on the record, or just–

**The Chair:** No, I think you could hold it, as we agreed to, and go on with other amendments. Are there other amendments to this section? And we should go in order as they appear in the package that has been handed out. The package I have in front of me is an amendment to subsection 3(1). Does someone have that?

**Mr Ballinger:** Yes.

**The Chair:** Could you introduce it, please?

**Mr Ballinger:** Yes, I will introduce that. The clerk has so readily just rapped my knuckles for reading an amendment out of turn–

**The Chair:** She has been rapping my knuckles–

**Mr Ballinger:** –and I do apologize for that.

**The Chair:** Mr Ballinger moves that subsection 3(1) of the bill be struck out and the following substituted therefor:

“(1) The council of a municipality may pass bylaws for the imposition of development charges against land if the development of the land would increase the need for services and the development requires,

(a) the passing of a zoning bylaw or of an amendment thereto under section 34 of the Planning Act, 1983;

(b) the approval of a minor variance under section 44 of the Planning Act, 1983;

(c) a conveyance of land to which a bylaw passed under subsection 49(7) of the Planning Act, 1983 applies;

(d) the approval of a plan of subdivision under section 50 of the Planning Act, 1983;

“(e) a consent under section 52 of the Planning Act, 1983;

(f) the approval of a description under section 50 of the Condominium Act; or

(g) the issuing of a permit under the Building Code Act in relation to a building or structure.”

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**Mr Morin-Strom:** It seems to me we had a lot of presentations before a committee on this subsection, pages of suggestions, and one of the suggestions most specifically was that municipalities should be explicitly given the option of using an average cost calculation on a municipal-wide basis, rather than a site-specific one. I wonder if the parliamentary assistant can reflect on the various pages of recommendations that were made, and how many of them have been addressed by this amendment.

**Mr Ballinger:** What I would like to do with John Chipman, who is our legal adviser, at this stage is maybe to review with the member for Sault Ste. Marie (Mr Morin-Strom) the expansion, I guess, of these particular sections.

**Mr Chipman:** To deal with the particular question raised by the member, the intention throughout had been that municipalities would be able to make use of the two main approaches which they now use, which are either the area-wide charge or the site-specific charge. It was our view that the bill as originally drafted permitted that and placed no bar on that. There were concerns raised with respect to the inclusion of the words “in respect of that land.” It was felt by a number of persons who reviewed the bill that it might be taken, should the dispute be taken to the courts, to mean that only a site-specific approach could be used.

In order to remove any uncertainty in that respect, we deleted the words “in respect of that land” from the bill, so it now just reads, “for the...development of the land would increase the need for services”. But certainly the intention has always been that municipalities may make use of both approaches.

**The Chair:** I might also refer members to the written clarification which is on page 2 of the explanatory notes from the government. Subsec-

tion 3(1) at the bottom of page 2 basically outlines what Mr Chipman has said.

Motion agreed to.

**The Chair:** Mr Ballinger moves that subsection 3(2) of the bill, exclusive of the clauses, be struck out and the following substituted therefor:

"(2) Subsection (1) does not apply in respect of an action mentioned in clauses (1)(a) to (g) that would have the effect only..."

**Mr Ballinger:** I would like John Chipman just to sort of follow-up with that again in the cross-referencing, please.

**Mr Chipman:** That is a minor technical amendment. As subsection 1 was drafted we had clauses a to f, and we added an additional clause g, so the only change is to replace clause f with clause g.

Motion agreed to.

**The Chair:** The next amendment, which is 3(4a) in your package, is being stood down until the member for London North is with us. Are there any other amendments?

Mr Ballinger moves that subsection 3(5) of the bill be struck out and the following substituted therefor:

"(5) No land, except land owned by and used for the purposes of a board as defined in subsection 29(5a) or a municipality, is exempt from a development charge under a bylaw passed under subsection(1) by reason only that it is exempt from taxation under section 3 of the Assessment Act."

**Mr Chipman:** The change here is to broaden the original wording, which permitted the exemption of school buildings themselves, but did not permit the exemption from the charge of other board of education properties. The amendment provides that all board of education properties, land owned and used for the purpose of the board, may be exempt.

**The Chair:** Are there any questions to that amendment to subsection 3(5)?

**Mr Morin-Strom:** I see that we had a recommendation from Etobicoke before, that the exemptions should include land leased as well as owned by a municipality. What is the response to that recommendation?

**Mr Chipman:** That was discussed with the Ministry of Education and with the Treasury, and it was felt that it was not appropriate to include leased land, because of the nature of the leasing arrangement, which may be a temporary arrangement, and that we should limit the exemption to lands which are in fact owned by—

**The Chair:** Mr Mackenzie, did you have a question?

**Mr Mackenzie:** The same question.

**The Chair:** Are there any other questions or comments? Shall the amendment carry?

Motion agreed to.

**The Chair:** Are there any further amendments?

Mr Ballinger moves that clause 3(6)(c) of the bill be struck out and the following substituted therefor:

"(c) Local connections to watermain, sanitary sewers and storm drainage facilities installed at the expense of the owner, including amounts imposed under a bylaw passed under section 219 of the Municipal Act."

**The Chair:** Are there any questions to that amendment? Mr Chipman, you wanted to add something?

**Mr Chipman:** There are two small, technical amendments built into that. One is to ensure that the local connections installed by the owner are exempted from the charge. There had been some uncertainty raised with respect to that point. And also, to avoid double billing where municipalities require owners, under section 219 of the Municipal Act, to pay for the local connections to water and sewage works. Again, that has been exempted from the development charge.

**The Chair:** Are there any comments to the amendment? If not, shall the amendment carry?

Motion agreed to.

Section 4:

**The Chair:** At this time, we will move on to section 4, because we have stood down an amendment to subsection 3(4a). So we will deal with that amendment when Mrs Cunningham returns and we will deal with the vote on the section at that time. Are there any amendments to section 4?

Mr Ballinger moves that subsection 4(11) of the bill be struck out and the following substituted therefor:

"The municipal board may,

"(a) dismiss the appeal;

"(b) order the council of the municipality to repeal the bylaw in whole or in part or to amend the bylaw in accordance with the board's order;

"(c) repeal the bylaw in whole or in part or amend the bylaw in such manner as the board may determine."

**Mr Ballinger:** It is a slight change in the wording, Mr Chairman, as well as an expansion with the addition of clause 4(11)(c).



**Mr Chipman:** The purpose of this amendment is to give the board the power to make an amendment, as well as ordering the municipality to do so, and this amendment parallels the similar power the board has in dealing with zoning bylaws under the Planning Act.

**The Chair:** Are there any questions or comments to the amendment to this subsection? If not, shall the amendment carry?

Motion agreed to.

**The Chair:** Are there further amendments to section 4?

Mr Ballinger moves that subsection 4(12) of the bill be amended by inserting after "not" in the first line "amend or".

**Mr Ballinger:** Again, Mr Chipman, just an explanation please.

**Mr Chipman:** This amendment just flows from the previous amendment to ensure that there are limits on what the board may itself do, as well as ordering the municipality to do.

**The Chair:** Are there any comments or questions to this amendment? If not, shall the amendment carry?

Motion agreed to.

**Mr Morin-Strom:** I would like to address another subsection. In subsection 4(1), there were recommendations to the committee from a number of groups, in particular the AMO, as well as the government of Metropolitan Toronto, that that section should be amended so that decisions can be made not solely by council but in certain cases by a committee appointed by council, as has been the general practice, particularly in Metropolitan Toronto. I understand that, as it is worded here, there would be some problems for Metropolitan Toronto. I wonder if we can get a response as to why you have not reflected the concerns of Metropolitan Toronto and AMO.

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**Mr Chipman:** We considered that request. We felt it was not necessary. I will just cite the particular section of the Municipal Act. Section 106 of the Municipal Act permits committees to deal with any matters that council is authorized to deal with and to make recommendations back to council for the final decision. We therefore felt it was not necessary to give a specific power in this section to the committee inasmuch as council could, if it wished, have the meeting be held by a committee and then the committee would report to council and make the decision.

**Mr Morin-Strom:** So you would disagree with the legal opinion of Metro Toronto, which

felt that this would obligate the whole council to hold this meeting as opposed to what is its normal practice of having a committee do it?

**Mr Chipman:** Yes, I would disagree with that. Given the existence of section 106 of the Municipal Act, I think it is not necessary to give a specific authority in this section.

Section 4, as amended, agreed to.

Section 5:

**The Chair:** Mr Ballinger moves that section 5 of the bill be struck out and the following substituted therefor:

"(5) A development charge bylaw comes into force on the date it is passed or the date specified in the bylaw, whichever is later.

"(2) If the municipal board orders the council of a municipality to repeal a bylaw in whole or in part, that part of the bylaw that is repealed shall be deemed to have been repealed on the day the bylaw came into force.

"(3) The municipality shall refund all development charges paid under the bylaw or that part of the bylaw that is repealed under subsection 4(11),

"(a) if repealed by the municipal board, within 30 days of the date of the order of the board; or

"(b) if repealed by the council of the municipality, within 30 days of the date of repeal.

"(4) If the municipal board orders the council of a municipality to amend a bylaw, the amendment shall be deemed to have come into force on the day the bylaw came into force.

"(5) The municipality shall refund the difference between the development charges paid under that part of the bylaw that is amended under subsection 4(11) and the development charges required to be paid under the amendment,

"(a) if the bylaw is amended by the municipal board, within 30 days of the date of the order of the board; or

"(b) if the bylaw is amended by the council of the municipality, within 30 days of the date of the amendment.

"(6) A repeal or amendment made under subsection 4(11) is not subject to appeal under subsection 4(4).

"(7) A municipality shall give notice of the particulars of a development charge bylaw that is in force in the manner and to the persons prescribed."

Motion agreed to.

**The Chair:** Are there other amendments to section 5 of the bill?

**Mr Ballinger:** I move that subsection 6—I am sorry.

**The Chair:** No, that is section 6.

**Mr Ballinger:** I apologize. I am getting ahead of myself.

**The Chair:** We appreciate your eagerness, Mr Ballinger.

**Mr Ballinger:** It was the Pepto-Bismol I had this morning.

**Mr Morin-Strom:** I understand the government has withdrawn its whole section and completely rewritten it, so there is nothing left in the section to amend.

**Mr Ballinger:** In the interests of good government, Mr Morin-Strom, we reviewed that section and touched it up slightly.

Section 5, as amended, agreed to.

Section 6:

**The Chair:** Mr Ballinger moves that subsection 6(1) of the bill be amended by striking out "is passed" in the second line and inserting in lieu thereof "comes into force."

**Mr Chipman:** The amendment to section 5 changed the time the bylaw comes into force from only the day it is passed to the date that it is declared to come in force in the bylaw itself. The change to subsection 6(1) flows from that to provide that the five-year term of a bylaw will commence either on the day it is passed or, if it so states in the bylaw, on a specified date, which may be different from the date it is passed.

Motion agreed to.

Section 6, as amended, agreed to.

Section 7 agreed to.

Section 8:

**The Chair:** Mr Ballinger moves that subsection 8(1) of the bill be struck out and the following substituted therefor:

"(1) An owner may complain in writing to the council of a municipality in respect of the development charge imposed by the municipality on the owner's development that,

"(a) the amount of the development charge imposed was incorrect or was based on incorrect data;

"(b) the amount credited to the owner under section 13 is incorrect;

"(c) the amount of a previous development charge being credited under section 14 is incorrect; or

"(d) there was an error in the application of the development charge bylaw.

"(1a) An owner may not submit a complaint under subsection 1 after 90 days following the latest of,

"(a) the date a building permit is issued;

"(b) the date a development charge is payable under subsection 9(2); or

"(c) the date a development charge is payable under an agreement under subsection 9(2a) or 9(3)."

**Mr Cowin:** We have done two or three things to this section. One thing is that we added the words "in respect of the development charge imposed by the municipality on the owner's development." We have done that to clarify that this is not an appeal of a development charge bylaw but is instead an appeal of a specific charge to a specific development.

In subsection 8(1)(a), we have also put in the words "incorrect data" rather than the word "units." "Units" could have implied that the complaint procedure was only for residential development, because commercial development oftentimes tends to be expressed in terms of a charge per hectare.

The other thing we did was put a time limit on the complaints process. There had previously been no time limit, which meant complaints could have been filed years after development charges were paid. The time limit now reads 90 days. The reason for the 90 days is that it has to be at least 60 days in order for a board of education or a school board to know if there has been a charge error that adversely affected it.

**The Chair:** Mr Haggerty, you had a question?

**Mr Haggerty:** I just want some clarification. Looking at subsection 8(1a), it says, "An owner may not submit a complaint under subsection 1 after 90 days following the latest of...the date a building permit is issued."

I could be wrong on this, but as I understand it, if a developer is building it, he brings in a builder of the home and the builder is the one who is issued the building permit, not the owner, and it is sold after to the owner.

**Mr Cowin:** The person who pays it has 90 days after he pays it to lodge a complaint. The reason it gets a bit complicated at the bottom is that we have different payment plans we provide for in the bill, but in essence all we are saying here is 90 days after the date it is paid you can come forward and say you were incorrectly charged.

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Motion agreed to.

Section 8, as amended, agreed to.

Section 9:

**The Chair:** Mr Ballinger moves that subsection 9(1) of the bill be struck out and the following substituted therefor:

"(1) A development charge is payable on the date a building permit is issued in relation to a building or structure on land to which a development charge applies.

"(1a) Despite any other act, a municipality is not required to issue a building permit in relation to a building or structure on land to which a development charge applies unless the development charge has been paid."

**Mr Ballinger:** It is a legal change. Mr Chipman may want to address that.

**Mr Chipman:** A number of the participants in the public hearings indicated concern with the lack of a specific date on which the charge had to be paid. The new subsection 9(1) provides that specific date. Subsection 9(1a) was in fact in the first reading draft as section 1, and that merely states that the municipality is not required to issue the permit until the charge has been paid.

Motion agreed to.

**The Chair:** Mr Ballinger moves that subsection 9(2) of the bill be amended by striking out "storm sewer services and road services" in the fourth line and inserting in lieu thereof "storm drainage services, transportation services and electrical power or energy services."

**Mr Ballinger:** Mr Cowin may want to address the issue.

**Mr Cowin:** These are services for which early charges can be imposed and we therefore wanted to capture those types of services which had to go in prior to development occurring. On reading submissions, we thought that the term "storm service" was overly narrow. "Road services" certainly was, because it included the entire gambit of transportation services. In addition, it became apparent to us that major electrical transmission lines and so on might also be the types of services which would have to go in and for which you would want to collect at an earlier date. So we have included electrical and we have expanded the two terms we had previously to capture all of those items we originally intended to capture.

**The Chair:** Any questions or comments?

**Mr Morin-Strom:** What about the recommendation that district heating and cooling services should be included?

**Mr Cowin:** Frankly, we were at a bit of a loss to know what district heating and cooling services were. We feel, though, that the addition of electric power and energy services would probably capture that; the term "energy services" is fairly expansive.

**Mr Morin-Strom:** Does that mean our ministry has never heard of cities, particularly in Europe, that have heating and cooling systems being delivered on an area basis as opposed to house by house?

**Mr Cowin:** In any event, we feel that would be embraced under the term "energy services."

Motion agreed to.

**The Chair:** Mr Ballinger moves that section 9 of the bill be amended by adding thereto the following subsections:

"(2a) A municipality may enter into an agreement with an owner providing for the payment of a development charge before the date otherwise required for payment under subsection 1 or 2.

"(2b) Despite any provision of a development charge bylaw, an owner entering into an agreement under subsection 2a is required to pay only the development charge in effect on the date it is payable under the agreement.

"(2c) The payments agreed to under subsection 2a are payable by the owner entering into the agreement and are not transferable to a subsequent owner.

"(2d) Credits given under sections 13 or 14 to an owner who has entered into an agreement under subsection 2a are not transferable to a subsequent owner."

Does Mr Chipman or Mr Cowin wish to expand on this?

**Mr Cowin:** What this is intended to do is increase the degree of flexibility in terms of collection. It is entirely permissive. It provides for developers and municipalities, through agreement, to pay levies at an early stage, earlier than they would normally be paid. We do not specify how early it can be; whatever is determined in an agreement.

We feel there may be some benefits on both sides. The developer will have his levy fixed at an early date and will be able to know what it is when he tries to sell his land to builders. Municipalities will get the money at an early date upfront and will be able to invest those funds. If there is not agreement, obviously, then the ordinary collection periods would apply.

**The Chair:** Just for my own clarification, this does not mean that a new owner would pay the levies a second time.



**Mr Cowin:** No.

Motion agreed to.

**Mr Morin-Strom:** I would like to ask why AMO's recommendations were ignored by the government. They asked that subsections 9(3) and 9(5) be deleted. I would ask what the ministry's response is to those recommendations.

**The Chair:** Just give them a chance to look at it.

**Mr Morin-Strom:** I think that subsection 9(3) in particular has to do with the right of upper-tier municipalities to be able to collect levies for themselves rather than have the levy collected by the individual municipalities in those areas. There are areas where levies currently are only being imposed by the upper-tier municipalities, such as the region of Sudbury and certain suburbs of the city of Toronto.

**Mr Cowin:** We have introduced subsection 9(3) to provide for greater flexibility in the collection process. It merely allows municipalities to enter into agreements with developers for payment at a later date, if desired.

This is totally permissive. Consequently, we felt that because it did indeed increase flexibility and could not be imposed on any municipality that did not want to enter such an agreement, there was reason for keeping it in.

**The Chair:** And subsection 9(5) simply deals with the ability for them to charge in.

**Mr Cowin:** Well, yes. If you are going to have opportunity costs or lose money because of the fact that the payment is late, there should be provision against or agreement to provide for interest payments to be made.

Section 9, as amended, agreed to.

Section 10:

**The Chair:** Mr Ballinger moves that subsection 10(1) of the bill be amended by inserting after "imposed" in the fourth line, "the amount of the charge, the matter in which the charge is to be paid."

Motion agreed to.

**The Chair:** Mr Ballinger moves that subsection 10(3) of the bill be amended by striking out "9(2)" in the second line and inserting in lieu thereof "9(2), 9(2a)."

**Mr Morin-Strom:** I am not sure if it is directly on this amendment; it is on that subsection, though. In our notes here—I do not know if it is confusion between the two sections—I see that we had recommendations from the city of Toronto

that this whole section be deleted, along with subsections 10(3) and 10(5).

**The Chair:** Perhaps the staff could respond.

**Mr Chipman:** There were various recommendations regarding the manner of collection. I cannot recall all the details at the moment, but they did differ in varying significant degrees. We considered them and it was our feeling that the collection provisions that we have set out in section 10 are clear, are workable, and that it was not necessary to make any of the changes recommended by various parties.

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Just to speak to the particular motion, that is a technical point. The intention is to introduce a reference to the new subsection 9(2a), which was incorporated in the previous motion.

**Mr Morin-Strom:** Fine. Thank you.

**The Chair:** Any other questions or comments regarding this amendment?

Motion agreed to.

Section 10, as amended, agreed to.

Section 11:

**The Chair:** Mr Ballinger moves that section 11 of the bill be struck out and the following substituted therefor:

"11. A municipality that has passed a development charge bylaw may register the bylaw or a certified copy of it on the land to which it applies."

**Mr Ballinger:** That is just a slight legal change.

**The Chair:** Any questions or comments on this amendment?

Motion agreed to.

Section 11, as amended, agreed to.

**The Chair:** I have no amendments up to section 15. I am looking for any amendments to 12, 13 or 14.

Section 12:

**Mr Morin-Strom:** Could we deal with section 12 separately? There were a number of recommendations made to the committee, including a recommendation from AMO that section 12 should be deleted altogether, but also specific recommendations in terms of amendments by Durham, York and Metropolitan Toronto. I wonder if we could get some comments from the ministry as to its response to those recommendations.

**Mr Cowin:** Section 12 deals with collection and unpaid levies. We have provided in this legislation that they can be added to the tax roll

and collected as taxes. We feel that is sufficient strength to ensure that the municipalities will be able to recover the amounts they have levied.

**Mr Morin-Strom:** The phrase that had been asked for particularly seems to be the amounts unpaid "shall be deemed to be taxes."

**Mr Cowin:** The ministry is moving away from that phraseology. As I have stated, the phraseology that is in the bill at the moment is sufficiently strong, in our view.

**The Chair:** Any further questions or comments on section 12?

Section 12 agreed to.

Sections 13 and 14 agreed to.

Section 15:

**Mr Ballinger:** I have a replacement motion.

**The Chair:** Mr Ballinger moves that section 15 of the bill be struck out and the following substituted therefor:

"15(1) A municipality shall not levy more than one development charge on land to which a development charge applies even though two or more of the actions described in clauses 3(1)(a) to (g) are required before that land can be developed.

"(2) Despite subsection (1), if two or more of the actions described in clauses 3(1)(a) to (g) occur at different times, a municipality may require the payment of an additional development charge if the subsequent action has the effect of increasing the need for services."

**Mr Ballinger:** Because there is cross-reference with another section, I wonder if Mr Cowin could explain.

**Mr Cowin:** The intent here is to avoid doublecharging in situations where a development might come under two or three of the types of approvals that we have listed in section 3. The way it is currently written, there is reference to an owner requesting two or more approvals, and that raised the possibility that if land changed hands between approvals, each owner could be required to pay a development charge on the same development. So really all we have done in section 15 is remove the reference to ownership, which really was not necessary, and have simply stated now that no development charge will be imposed on the same development at each stage. There will be only one charge unless the developer comes back for a higher density, in which case a higher charge would be appropriate.

Motion agreed to.

Section 15, as amended, agreed to.

Section 16:

**Mr Ballinger:** I have a replacement motion.

**The Chair:** Mr Ballinger moves that subsection 16(1) of the bill be struck out and the following substituted therefor:

"(1) Payments received by a municipality under this part shall be maintained in a separate reserve fund or funds and shall be used only to meet growth-related net capital costs for which the development charge was imposed."

**The Chair:** Mr Cowin or Mr Chipman, do you have any comments?

**Mr Cowin:** We merely deleted a few words—"of those services." The concern we were responding to was that this could be considered one of those types of situations which required a site-specific approach to accounting for development charges, which might in turn imply a site-specific approach to calculating development charges. We wanted to remove any reference or any confusion because, as Mr Chipman said earlier, we have always intended all along that either the site-specific or the average-cost approach would be acceptable.

Motion agreed to.

**The Chair:** Mr Ballinger moves that subsection 16(2) of the bill be amended by striking out "(3) and (4)" in the first line and inserting in lieu thereof "and (3)."

Motion agreed to.

Section 16, as amended, agreed to.

Section 17:

**The Chair:** Mr Ballinger moves that section 17 of the bill be amended by striking out "15" in the fourth line and inserting in lieu thereof "16."

Motion agreed to.

Section 17, as amended, agreed to.

Section 18 agreed to.

Section 19:

**Mr Ballinger:** I have a clarification with a cross-reference.

**The Chair:** Mr Ballinger moves that part II of the bill be amended by adding thereto the following section:

"19a. In this part 'benefiting owner' means an owner of land within a benefiting area other than an owner who is party to a front-ending agreement."

**Mr Ballinger:** It is just to bring it into conformity with one of the previous amendments.

**The Chair:** Any questions or comments on this amendment?

**Mr Reyecraft:** This is a new section, is it not, rather than an amendment to section 19?

**The Chair:** Section 19a is the amendment that Mr Ballinger has put forward as a new section. Are there any questions or comments on that amendment?

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Motion agreed to.

Section 19 agreed to.

Section 20:

**The Chair:** Mr Ballinger moves that section 20 of the bill be struck out and the following substituted therefor:

"20(1) A municipality that has passed a development charge bylaw may enter into a front-ending agreement or agreements with any or all owners within a benefiting area providing for the payment by those owners of a front-end payment or for the installation of services by the owners, or any combination thereof.

"(2) A front-ending agreement shall contain,

"(a) a list of the services for which front-end payments shall be made or services installed by the owner;

"(b) the estimated cost of installing the services;

"(c) the proportion of the front-end payment or the cost of the installation of services to be paid by each owner who is a party to the agreement;

"(d) the agreement of the owners to immediately pay to the municipality the actual costs incurred by the municipality in the installation of the services in accordance with the proportions determined under clause (c);

"(e) the agreement of the municipality to immediately reimburse the owners if the actual cost incurred by the municipality in the installation of the services is lower than the estimated cost in accordance with the proportions determined under clause (c);

"(f) a description of the benefiting area for each of the services;

"(g) a list of the services in the agreement for which a development charge is payable;

"(h) a list of the services in the agreement which are services described in subsection 3(6);

"(i) the manner in which the portion of the payment to be made by each benefiting owner with respect to the services listed in clause (g) is to be calculated;

"(j) if the agreement provides for the installation of services by the owners who are parties to the agreement, the agreement of the municipality to use the reasonable cost to the owners of

installing the services in making the calculations under clause (i);

"(k) the agreement of the municipality to require each benefiting owner to pay, with respect to the services listed in clause (g), that benefiting owner's portion of the front-end payment; and

"(l) the period of time during which the agreement is in force.

"(3) A front-ending agreement may provide that the reasonable costs to the municipality of administering the agreement, including the costs of consultants and studies required in preparation of the agreement, are to be included in calculating the front-end payment.

"(4) A front-ending agreement may provide for the indexing of the payments required to be made by the benefiting owner under clause (2)(k)."

Motion agreed to.

Section 20, as amended, agreed to.

Section 21:

**The Chair:** Mr Ballinger moves that section 21(1) of the bill be struck out and the following substituted therefor:

"(1) The municipality shall give notice of the front-ending agreement,

"(a) by mailing it to all owners within the benefiting area; or

"(b) by publishing it in a newspaper having general circulation in the municipality."

Motion agreed to.

**The Chair:** Mr Ballinger moves that subsection 21(3) be amended by striking out "mailing" in the fourth line and inserting in lieu thereof "the giving."

Motion agreed to.

**The Chair:** Mr Ballinger moves that section 21 of the bill be amended by adding thereto the following subsection:

"(3a) For the purposes of subsection (3), notice shall be deemed to be given,

"(a) where notice is given by mail, on the day the mailing of all required notices is completed, or

"(b) where notice is given by publication in a newspaper, on the day that the publication occurs."

Motion agreed to.

**The Chair:** Mr Ballinger moves that section 21 of the bill be amended by adding thereto the following subsection:

"(9) The municipal board may, where it is of the opinion that the objection to the agreement is



insufficient, dismiss the objection without holding a full hearing, but before dismissing the objection it shall notify the objector and give the objector an opportunity to make representations as to the merits of the objection.”

I think we have jumped an amendment.

**Mr Ballinger:** We did?

**The Chair:** Section 21(4) is the next amendment that I have.

**Mr Ballinger:** I am sorry, Mr Chairman. I am missing that one on my list—page 25; I do apologize, unless it is out of synch here.

**The Chair:** No doubt something is.

Interjection.

**Mr Ballinger:** That is why I have not got it, then.

**The Chair:** Do you have it now?

**Mr Ballinger:** No, we are not moving it. That is why it is not part of the amendments, Mr Chairman.

**The Chair:** I do not know why that is in there.

**Mr Ballinger:** Mr Chairman, you are out of synch; I am not.

**The Chair:** No, I am quite under control.

The amendment that we have before us is to section 21, read by Mr Ballinger. Are there any questions or comments on that amendment? It is page 26 on the list of government amendments. Any questions or comments to that amendment?

**Mr Morin-Strom:** I am a bit confused about what the government is doing here as well. We have from our researcher the amendments to the parts of section 21 that we had recommendations for changes on, and we had some recommendations for Metropolitan Toronto on subsection 2 of it. We had a recommendation on subsection 5 from York regional municipality and then we had a recommendation on subsection 6 from Metro Toronto, but instead we seem to have changes from the government on subsections 3 and 4, which it has now withdrawn, and now a new one, subsection 7.

They seem to be almost purposely making changes to those sections that we did not have recommendations on and avoiding making changes on the recommendations we did have before the committee. I do not see the parliamentary assistant's previous assertion that they are just responding to all the input we have had on this bill.

**Mr Ballinger:** Let me respond to the comment by Mr Morin-Strom prior to allowing Mr Chipman to go on. Mr Morin-Strom, if I led you to believe that we responded to every submis-

sion, then please forgive me; that was not my intention. I said that on balance what the government has done is to review all of the submissions as well as taking into account the public hearing process to put forth what we believe is a reasonable piece of legislation. It is certainly not the intention of the government to respond to every submission from everyone. In relation to your question, I guess if Mr Chipman would not mind, he could respond from a legal point of view to Mr Morin-Strom's comment.

**Mr Chipman:** I am not sure of the full number of recommendations Mr Morin-Strom is referring to. I have the listing here, and a number of the recommendations relate to expanding the method of giving notice to provide for publication and we have done that. The motion to insert a new subsection 9, providing for dealing with frivolous objections, was requested by two of the parties I see on this listing.

A number of the other requests related to the time at which a front-end agreement was to come into force. We gave a lot of consideration to that aspect of it, including proposals really to allow the agreement to come into force subject to subsequent changes by the municipal board, and we concluded that it would be preferable to leave the system basically as we had provided in the first reading bill; namely, that the agreement comes into force on the approval of the municipal board, should there be an objection filed to it.

In order to cover concerns raised with respect to one or two owners possibly attempting to hold up the process of front-ending by raising what might be frivolous objections, the insertion of subsection 9 gives the board the option to deal with an objection that is frivolous or without substance.

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**Mr Morin-Strom:** At this point we are dealing with a new section that has been added. The one recommendation that had been made quite specifically on a new section was Metropolitan Toronto's recommendation that there be a new subsection 2a dealing with notice, deeming when notice would be given. Can you respond to that recommendation?

**Mr Chipman:** That is dealt with in the motion regarding subsection 21(3a). It is not worded quite the same way that Metro Toronto requested it, the only difference being that Metro has proposed personal service, but we felt that was not necessary, that notice by mail or by publication in a newspaper was sufficient.

Motion agreed to.

Section 21, as amended, agreed to.

Section 22 agreed to.

Section 23:

**The Chair:** I believe we had an additional item handed out this morning, which should replace page 27 on the list of government amendments, as the amendment that we will be dealing with if it is put on the floor. Do I have an amendment to section 23?

Mr Ballinger moves that section 23 of the bill be amended, (a) by striking out "A notice of" in the first line; and (b) by striking out "20(2)(g) and (h)" in the second line of clause (b) and inserting in lieu thereof "20(2)(d) and (k), subsection 20(4)".

Motion agreed to.

Section 23, as amended, carried.

Section 24 agreed to.

Section 25:

**The Chair:** Mr Ballinger moves that section 25 of the bill be struck out and the following substituted therefor:

"25. A municipality that has entered into a front-ending agreement shall require a benefiting owner to pay the benefiting owner's portion of the front-end payment as a condition of an approval granted during the term of the agreement of any development on that portion of the benefiting owner's land located within the benefiting area."

Motion agreed to.

Section 25, as amended, agreed to.

Section 26:

**The Chair:** Mr Ballinger moves that subsection 26(2) of the bill be amended by inserting at the beginning thereof "During the term of the agreement."

Motion agreed to.

Section 26, as amended, agreed to.

Section 27:

**Mr Ballinger:** Mr Chairman, I have a replacement motion.

**The Chair:** Mr Ballinger moves that section 27 of the bill be struck out and the following substituted therefor:

"27(1) The municipality shall place money received under section 25 in a special account and shall, immediately upon receipt of the money, by registered mail,

"(a) notify the parties to the front-ending agreement that the money is available to be paid out; and

"(b) request the parties to give directions to the municipality as to whom the money is to be paid.

"(2) Upon receipt of a direction from a party to a front-ending agreement, the municipality shall pay to the party named in the direction the proportion of the money received by the municipality to which the party is entitled.

"(3) If within 90 days of mailing the notice under subsection (1) the municipality has not received a direction from a party, the municipality may pay the money owing to that party into the Supreme Court.

"(4) A municipality that has paid money into court under subsection (3) shall immediately notify the party to whom the money is owing, by registered mail send to the party's last known address, that,

"(a) the money has been paid into court; and

"(b) the party must apply to the court for the release of the money.

"(5) If the party to whom notice was sent, or an heir, successor or assign thereof, has not applied to the court under clause 4(b) within 12 months of the mailing of the notice, the municipality may apply to the court for the release of the money to the municipality.

"(6) if the court has not received a request for the release of the money before the application of the municipality is received, it shall release the money to the municipality.

"(7) The municipality may place money released by the court in its general account.

"(8) The municipality is required to reimburse the parties to the agreement only when the money referred to in subsection (1) is paid and only in accordance with subsections (1) to (4).

"(9) Payments made under subsection (1) with respect to services referred to in clause 20(2)(g) shall be deducted from the amount otherwise payable by an owner pursuant to a development charge bylaw."

Are there any questions or comments on the amendment?

**Mr Morin-Strom:** I think that is one of the longest amendments we have ever seen. I mean it has replaced the whole section, the section that was about 10 lines long, with an amendment that is a page and a half. So I must commend the member for being able to withstand the reading exercise that he has been put through this morning. Let's hope that this whole thing will make some sense by the time we are all done.

**Mr Ferraro:** Just a quick question: If I understand it correctly, can a developer designate anybody he or she wants to be the recipient

of reimbursement front-end servicing down the line?

**Mr Chipman:** Not down the line, but when the information is given to the developer that funds are available. The developer can say to the municipality, "Pay me," or could direct the municipality to pay the money to some other company if it wished.

**Mr Ferraro:** When those funds become available.

**Mr Chipman:** That is correct, but that would not be a permanent determination. At any time the funds were available the municipality would have to tell the developer—

**Mr Ferraro:** Hypothetically, though, Mr Chipman, if there was a determination that a large proportion of the front-end servicing agreement was due and payable to a developer as of a specific date, and assuming I was the developer and I designated Mr Reycraft to be the recipient of that, does it then come in effect as of that date? What I am trying to get at is, would it then subsequently be a situation where once I have made that designation, I could declare bankruptcy a month later, assuming those funds have not been reimbursed as yet?

**Mr Chipman:** Looking at subsections 1 and 2, the municipality, whenever it receives funds, is to notify you the developer that the funds are there and to ask you to give directions as to who the money is to be paid to at that time. Then, as subsection 2 says, upon receipt of the direction from a party, the municipality shall pay the money to the party named in the direction.

So the municipality would then pay you at that time or if you as the developer had directed that that money go to somebody else, it would pay it to that other person and that would be the end of it until the municipality had received more funds and had then contacted the developer again saying: "We now have more money. Who do we pay this money to?"

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**Mr Haggerty:** I have some difficulty with this. I am looking at referring it to the Supreme Court. Is there not some other government agency that can look after this without sending it off to the Supreme Court? The legal costs, and then putting more pressure on to the courts in Ontario when we already have a backlog. Usually in this line of work, the municipal field, we look to the Ontario Municipal Board. Could they not do the same thing as the Supreme Court in this matter without getting too legalistic? You

do have an appeal to them through the bill itself. Why not extend this?

**Mr Chipman:** I believe not. The function of the municipal board is not to receive funds and to disperse funds. That is the function of the courts, and there are provisions in the Courts of Justice Act for that. The courts commonly do that in legal actions. Another reason for paying the money into the courts is that should there be any dispute as to who is entitled to receive the money, that is a legal issue that must be determined by a court and not by the municipal board.

**Mr Reycraft:** Mr Chipman partly answered my question in responding to Mr Haggerty. I am still not clear though on why we require the municipality to pay the money to the court if reimbursement has not been applied for after 90 days and then allow the municipality to get that money back if no claim is made after 12 months.

**Mr Chipman:** That was a matter that was raised to us by certain municipalities. We inserted that provision to allow the municipality the opportunity at some time down the road—we have suggested 12 months—to have that money reimbursed, so that in effect the money would not remain in the court system for ever.

**Mr Cowin:** The problem that we responded to here was, and many municipalities raised it, was that in situations where a company that entered into the front-ending agreement perhaps moves or is reorganized in a very complex fashion or goes out of business, a municipality is faced with the difficulty of knowing just to whom to pay the money. There may very well be conflicting demands on the money and so forth, so we felt that there had to be this mechanism of paying the money into court and allowing the court to adjudicate, and where there was no claim at all, then the money could be sent back or a claim could be made by the municipality.

**Mr Chipman:** The purpose is really to put an end to the process. If in fact the development company has disappeared and it is impossible to determine to whom that money should be paid, it gives the municipality the opportunity to get it back after a reasonable period of time. Otherwise, the money remains sitting in the court for ever.

**Mr Reycraft:** Would a municipality be notified by the court if and when someone applied to the court to get reimbursement from the funds that have been transferred to it by the municipality?

**Mr Chipman:** There is no statutory requirement for that. I would imagine that the municipi-



pality, if new money was there, would in a sense keep an eye on the court proceedings and would through its staff determine if there had been any applications made.

**Mr Haggerty:** I still have some difficulties with this.

**The Chair:** Excuse me for one moment, Mr Haggerty. Mr Ferraro, you had a brief question.

**Mr Ferraro:** I have a brief question. You are right. If it is a sizeable amount of money that is paid to the municipality and we say that the municipality immediately has to notify the developer by registered mail, when I read it, and you can clarify this for me, Mr Chipman, who is entitled to the interest on that money?

**Mr Chipman:** There is no provision in here respecting interest.

**Mr Ferraro:** So who gets it or who should get it?

**Mr Cowin:** Since there is no obligation to pay interest, presumably if there is any interest to be accrued, it will go to the municipality.

**Mr Ferraro:** I guess if they did not notify the developer immediately or if, God forbid, the registered mail got screwed up, there could be an appeal to the Ontario Municipal Board if the developer wanted the interest. Is that correct?

**Mr Chipman:** No, there is nothing in the section that would allow the developer to apply for interest. There is no statutory obligation on the municipality to pay the interest to the developer.

**Mr Haggerty:** I am just looking at the amendment to section 5 that we just passed. We make reference there to the development charges and the question about refunds and that, and it definitely outlines the Ontario Municipal Board. I just cannot draw both together here for some reason. You make reference to the Supreme Court finally in it, yet they have a right to appeal.

**Mr Chipman:** If I may respond to that, section 5 is dealing with an appeal to the OMB with respect to the development charge bylaw. As the act requires, once the bylaw is in effect, persons must pay the full charge, but should the bylaw subsequently be repealed or amended to reduce the amount of the charge, then the municipality is required to refund the money it has received. The board is playing no role in the handling of the money itself. The board in this instance is dealing with the objection to the bylaw, and depending on its ruling on the bylaw,

the municipality may then have to refund money.

Motion agreed to.

Section 27, as amended, agreed to.

**The Chair:** Section 28 was the section we had agreed to stand down, but Mrs Cunningham is with us.

**Mr Ballinger:** Mr Chairman, on a point of order: Since Mrs Cunningham is now in attendance, we did stand down subsection 3(4a) as well, which was the government amendment related to the affordable housing section. If we could deal with that now, we would be right up to part III, the education levy.

**Mr Morin-Strom:** On a point of order as well, Mr Chairman: I thought we had agreement at the start of this morning's session that we would deal with the agenda item before we adjourned. Normally we adjourn at 1155 for a vote at noon in the House, which leaves us about five minutes at this point. I am not sure that we should deal with any of these matters.

**The Chair:** I believe it was agreed that we would deal with the amendment to section 3 when we return this afternoon, to allow Mrs Cunningham an opportunity to read it over the lunch period.

**Mrs Cunningham:** I am ready to go on section 3, but I understand what Mr Morin-Strom has just said. It is fine by me.

**The Chair:** There is a report of the subcommittee. If it is the wish of the committee to deal with that now, you should have that handed out. Okay, we will deal with that. That is before you, showing the schedule recommended by the subcommittee from our meeting yesterday. Are there any questions or comments regarding this schedule?

**Clerk of the Committee:** They are only just getting it now.

**The Chair:** Oh, I thought it had already been handed out. Pardon me. So we will stall right there. I will just give members a moment to review it. I require a motion to adopt the schedule.

Mr Daigeler moves the adoption of the schedule.

Are there any questions or comments on this schedule? Is everyone comfortable with this?

**Mr Ferraro:** I have a brief comment. I would just like to acknowledge the co-operation of the opposition party subcommittee members in setting this agenda. It is very much appreciated by the government.

**The Chair:** Mr Morin-Strom, are you going to acknowledge the co-operation of the government members? We cannot have a love-in here, guys.

**Mr Mackenzie:** Not much danger of that.

**Mr Morin-Strom:** I do not have a problem with this recommendation. I understood there was the recommendation as well, though, that we advertise on these two bills. Is that going to be a separate motion?

**The Chair:** That will be the next motion.

**Mr Morin-Strom:** Otherwise, that is fine.  
Motion agreed to.

**The Chair:** Mr Ferraro moves that the clerk of the committee be instructed to place advertisements in every daily newspaper in Ontario for the purpose of inviting oral and written briefs relating to Bill 46 and Bill 47.

Any questions or comments on that motion?

**Mrs Cunningham:** Can we be advised of the cutoff times that were discussed by the clerk? Then we can tell people if they ask us.

**Mr Ferraro:** I think we said 22 November.

**The Chair:** The ad will appear by 10 November. The cutoff for oral presentations will be 17 November. Are you sure that is not reversed?

**Mr Morin-Strom:** That is request for oral presentations.

**The Chair:** Request for oral will be 17 November, written submissions will be received right up to 22 November and the hearing date will be 23 November.

**Mr Daigeler:** In terms of the invited groups, if the opposition members have any particular groups they could think of, perhaps they can let the clerk know.

**The Chair:** Yes, they have already agreed to do that. That is a good point.

Motion agreed to.

**The Chair:** When we resume following routine proceedings this afternoon, I believe we should deal with the amendments to section 3 of the bill, which was stood down, and then move to section 28 of the bill.

The committee recessed at 1152.

## AFTERNOON SITTING

The committee met at 1605 in room 151.

DEVELOPMENT CHARGES ACT, 1989  
(continued)

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

**The Chair:** I see a quorum. Can I call the meeting to order, please? We are back to clause-by-clause hearings of Bill 20, An Act to provide for the Payment of Development Charges. The committee will be aware that we had moved up to, but not inclusive of, section 28. However, there was a section that had been stood down, which was subsection 3(4a), where I believe Mrs Cunningham was going to have an amendment or a motion for committee to consider. There was a handout of a motion on it.

**Clerk of the Committee:** No, that was on a different section.

**The Chair:** This was the affordable housing one. That is right. She just wanted to comment on that.

**Mrs Cunningham:** I just wanted the opportunity to speak to it after.

Section 3:

**The Chair:** Mr Ballinger moves that section 3 of the bill be amended by adding thereto the following subsection:

“(4a) Despite subsection (3), a bylaw passed under subsection (1) may,

“(a) designate categories of institutions for the purposes of clause (b);

“(b) provide for a full or partial exemption of designated categories of institutions from the payment of development charges;

“(c) designate categories of dwelling units as affordable housing; and

“(d) provide for a full or partial exemption of designated categories of affordable housing from the payment of development charges.”

Mrs Cunningham, do you have comments on this amendment?

**Mrs Cunningham:** I do. I suppose I could start by making the comment that the government has not defined what “affordable” really means, even though I hope that all of us appreciate the attempt in this particular amendment to subsection 3(4a). But really, I cannot see that it is doing anything at all. I would expect a response maybe in the beginning to encourage or support

affordable housing by this amendment but I just do not know how it can help affordable housing.

First of all, it does not define it and, second, I think it is just sort of lipservice so that we can go out and say, “Well, we’ve got a little clause in there about affordable housing,” but I do not know specifically what the purpose of it is or specifically what it does at all. When one is collecting lot levies from developers or from land developers that will be passed on to the purchaser, as we know, what is this particular bill doing to help affordable housing?

**The Chair:** Are you asking someone specifically?

**Mrs Cunningham:** Yes. If the parliamentary assistant can convince me, I would not mind being convinced.

**Mr Ballinger:** What a tough job that would be. I am willing to rise to the occasion, Mrs Cunningham.

**The Chair:** In case you get into some trouble, maybe we could ask Mr Cowin or Mr Chipman to come forward.

**Mr Ballinger:** No, I do not think in this particular case, with the greatest respect, that we need the staff. I am quite willing, on behalf of the minister, to put forth the viewpoints and the arguments that we arrived at in coming to this definition.

**Mr Mackenzie:** They are just backup.

**Mr Ballinger:** Bob, if I need a backup, I will seek your support. How will that be?

**Mrs Cunningham:** Make it simple, because I would like to be able to go out and tell the whole world what you are talking about. Three short points would be really helpful.

**Mr Ballinger:** As Mrs Cunningham and Mr Mackenzie—I was going to address the members of the Legislature here—know, we discussed this last week at the meeting. We as a government and Mr Sweeney as the minister were trying to come up with an amendment that would recognize the importance of affordable housing and hoping that each municipality—because affordable housing means different things in different communities all across Ontario.

I can cite from my own example when I was on a council in my own community that we dealt with requests from private nonprofit and public nonprofit organizations to reduce the levies, way back then in those days, to try to bring reasonably



priced units on the market. I just want to say, Mrs Cunningham, I do not think any of us here should underestimate the ability of those local councils to make those kinds of decisions.

This bill, Bill 20, is a municipally permissive bill, and what we have done in here is recognize the fact that affordable housing is important to every community in Ontario, because this bill will be covering every community in Ontario, and that those municipalities that want to may. I think it is really important that the rules are not hard and fast because they are different in each community. Each community will reflect on its own which policy it wants to use as it relates to affordable housing.

I did not bring this for any other reason than as a reinforcement of what is happening out there in Ontario. For the benefit of Mrs Cunningham, this is an article from the *Dorchester Signpost*, which I am only too pleased to leave with her. It is a news story of a discussion that a local council had on Wednesday 11 October about partially forgiving or completely exempting the impost fees on a specific project within its own community.

I will let you read this. The whole gist of this article is exactly what we are saying in this amendment: under this legislation, the local council may or the upper-tier council may, and then highlight each of those issues where they may address those various functions. But do not underestimate what is happening out there in Ontario today. What this amendment is really doing is reinforcing the exact discussions that are taking place all across Ontario.

**The Chair:** Thank you. Mrs Cunningham, you still have the floor.

**Mrs Cunningham:** I have three points that I gathered from that: the government is recognizing the importance; local councils will make these decisions because it is permissive, and the partial exemption is something that the government is encouraging. Those are all nice things which can, of course, happen now without this bill or without the amendment.

My great concern is that this particular piece of legislation was introduced to allow municipalities and school boards to raise funds through lot levies to cover the cost of servicing new growth. Some of the municipalities wanted to have more direction, and I think partially the bill does that. School boards would simply like basically to go to the government for obvious reasons and get their capital funding the way they do now. This bill has, I think, forced some of them into

agreeing with it. It is a quick way, they think, of getting money.

However, to stay with this particular issue of affordable housing, this bill does not deal with subsidized housing—it was not meant to—and it is not going to make anything different for subsidized housing at all.

**Mr Haggerty:** You don't know that.

**Mrs Cunningham:** No, I just do not think it is appropriate to put it in the bill. Other than for political reasons, it is not doing anything at all. Anybody can do this now. It does recognize the importance, but it does not add anything to the bill. As a matter of fact, in some ways it may be a disadvantage.

I thought the former Minister of Housing brought that to our attention on 26 October when she said that on the surface it looks as if you want to say, "Let's exempt housing labelled affordable from the levy or let's give a partial levy," or whatever. "Let's just make it easier to get the stuff built and let's give people the incentive to build." But the 25 per cent guideline is meant to be a floor, not a ceiling. She was talking about that whole issue in respect to this particular thought.

Correct me if I am wrong, but this idea about the finance and growth-related capital needs was brought to our attention in the green paper, where I read all of the input. In fact, where they proposed a cap, quite frankly—I think that is a cap of 60 per cent, where you said to provide for full or partial exemption—although we have not said 60 per cent, we are kind of encouraging it.

The idea that was in the green paper, the response to the cap—I will read it: "By proposing to cap the levy on affordable housing at 60 per cent, the province is actually reducing the capital cost and thus its subsidy on affordable housing." Many people were involved who never would buy into this, such as nonprofit groups, because the grants that they get right now would be undermined by this particular idea. There are many nonprofit groups that will not in fact want to take advantage of a partial exemption, because it does not assist them at all, but it does assist the government in not having to give as much in the way of grants to them. So I am not certain that it is helping affordable housing at all.

The real issue around affordable housing, I think, in the *Homes Now* program, is to improve upon that program. Just this morning—we are serious about supporting affordable housing, and I hope this comes true—looking at the headline, "Ottawa Set to Hike Funding for Co-op Housing Startups," when we are looking at affordable

housing, I think all of us will be interested in this. It states quite frankly that the Housing minister will announce that the maximum startup funding is to be increased sharply from \$75,000 to \$500,000, and that is real money to help affordable housing.

My only point in raising this in such a vocal way this afternoon is that I do not want to be out there in the community where anybody says that this lot levy legislation was meant in any way to support affordable housing, because it is not. In the long run—and we saw an example of it just beginning today, where it affected a school board—we will see it on the cost of housing. It will in fact increase the cost of housing, and I would say that in the past the government has said, “No, it will not.” But by putting forth this particular amendment today, I think in fact that we have recognized that lot levies will affect the cost of housing.

As a result, we have suggested that the intent of providing for full or partial exemptions of designated categories of affordable housing from the payment of development charges was of course to reduce the final cost of housing. We have recognized that the lot levy will in fact increase the cost of housing in this province. So the bottom line, if we had to look at it, is that we are looking at serious increases in the cost of housing because of these lot levies. Although that is in there, it does not mean a darned thing when it comes to affordable housing at all. In fact, it may mean the opposite. Some of us will have to wait and see how it is all going to fall into place.

Thank you for the opportunity to speak to the amendment.

**Mr Mackenzie:** I come at it just a little bit differently. We had presentations made to this committee arguing for the exemption of affordable housing in terms of the lot levies. It was a genuine concern of a number of people and I think the amendment is a response to it, but forgive me for thinking that it is a bit of a phoney response. What you have really done with it is say, “Hey, pass the responsibility on to the municipalities in the large or high-growth areas and if you want to exempt affordable housing, fine, but you have not done anything to give any kind of a definition,” which of course everybody will admit is the problem to begin with.

I do not think it means a darned thing, except that you have ducked the responsibility to respond to that particular complaint with this amendment. It is not going to have any effect. I doubt very much whether you will find the

municipalities attempting to define it. You may find one or two willing to, but you are also liable to have all kinds of different definitions in different municipalities, which is not going to mean a heck of a lot in promoting affordable housing in the province of Ontario. I just see the amendment as a little bit deceiving.

Motion agreed to.

Section 3, as amended, agreed to.

Section 28:

**The Chair:** Mr Keyes moves section 28 be amended by

(a) striking out “an approval of” in the definition of “commercial development”;

(b) striking out the definition of “education capital cost” and inserting in lieu thereof the following:

“education capital cost” means costs incurred or proposed to be incurred by a board,

“(a) to acquire school facilities to provide pupil accommodation,

“(b) to construct, expand, alter or improve school facilities to provide pupil accommodation,

“(c) to furnish or equip the school facilities described in clause (a) and (b), and

“(d) to undertake studies in connection with any of the matters in clause (a), (b) and (c).

(c) striking out “portion” in the definition of “growth-related net education capital cost” and inserting in lieu thereof “prescribed portion”; and

(d) striking out the definition of “residential development.”

1620

**Mr Keyes:** If I may make one brief comment, after watching the efficiency of this morning’s proceedings with the explanations handed out by the parliamentary assistant to the Minister of Municipal Affairs (Mr Sweeney), I asked staff and handed out today the same amendments, identical but with explanatory notes printed on the bottom of them so that members could have a chance to peruse those as well as we go through them today.

**Mrs Cunningham:** Just bear with me a moment. Would it be appropriate then, since we are now into section III of the bill—correct?

**The Chair:** We are in part III, section 28.

**Mrs Cunningham:** I am sorry, part III of the bill—for me to make some comments about the section, since I did advise you that I would be tabling a motion to strike part III of the bill? Before you rule it out of order, for whatever reasons you have advised me that you probably



will, I would like to make some comments about this section of the bill.

If I cannot make them to the whole section, I will simply make them to section 28, because they fit as well there; however, you want to handle it.

**The Chair:** Prior to the introduction of the amendment by Mr Keyes, we did receive an amendment in writing.

**Mr Ballinger:** Prejudging.

**The Chair:** That is okay. It is an amendment moved by Mrs Cunningham that—it was handed in by Mrs Cunningham, it actually is not moved—part III of the bill be struck out. It was my ruling that it is out of order, but I would be quite—

**Mrs Cunningham:** I will withdraw that rather than have it ruled, because you advised me ahead of time it would be silly for me to let it stand.

**The Chair:** I would be quite prepared, if committee concurs, to allow Mrs Cunningham to make some comments about part III of the bill prior to voting on the amendment to section 28. Is that agreeable?

**Mr Ferraro:** Absolutely.

**Mrs Cunningham:** I think my greatest disappointment in seeing this particular part is that there were probably very much better ways of working with developers and home builders, people who are responsible for providing housing to the citizens of Ontario, than this particular piece of legislation or this part of the bill.

During the hearings, I think most of us watched very carefully as to whether or not we would, in fact, get some alternative ideas to look at. From my way of thinking, at least as far as I could gather, the government has taken the least efficient way in proposing this particular part, and I can speak from experience in that the board I represented for some numbers of years, some 16, before I came down here, over the years—and I will not give you a history lesson, because others have been there too—we did have opportunities from time to time to talk to the developers during the acquisition of land.

At times, when things became pretty heavy, especially in the last three or four years, we had committees where the developers and the home builders came to talk to us about alternatives, which unfortunately, at the time, were not possible under the legislation of this province. Some of them were discussed during the meetings.

I thought it was a positive way of working together. I will just talk about some of the ideas

that we talked about at that particular period of time, as well as what were brought to the attention of this particular committee.

There are underutilized school sites that are still sitting empty across this province because school boards decided that they did not want to build on them, they were no longer as appropriate. They had to find alternatives. They were, by the way, in the business of spending their money wisely and put up with a lot of opposition from the public that they represented sometimes because they would fill empty schools, as we did in London, before they would ever build new schools in subdivisions.

So this whole challenge is not anything that is new. It has been going on for a long time, probably more than a decade, so these underutilized school sites are still there. We were advised of that during the discussions. They could be sold and converted to more productive uses and the funds that were generated could be targeted towards constructing schools in high-growth areas. That particular idea was brought to our attention. I think it is a positive one and something that we should be pursuing actively.

Leasing schools was another one. Although I would not have bought into it myself when I was on the London board, other boards may want to do that; I do not know. That is where the developers retain the land, build the school and then lease it to the local board. If we are throwing the responsibility for so many decisions back to local boards, maybe these are the kinds of alternatives that we could let them work out, and without giving them such specific direction, but we should be allowing some of these alternatives to take place.

The long-term debt financing which could be amortized over the life of the community need is something that we could be encouraging to a greater extent and we could be working with school boards to make it as financially feasible and responsible to the taxpayers as possible. The London home builders, when they came down, argued that a more equitable approach to the financing of education would be an increase in the land transfer tax. I must say that I did not see the government pursue that one at all. We never had any analysis of what that really meant so that we could look at that particular proposal in relation to what part III of this bill means at all. We just do not know what it is going to do; there is so much up in the air. What we do know is that it will increase the cost of homes and of schools; we have seen that now and we will see more of it in the next few months.



I thought that those innovative ideas deserved consideration and the city of Toronto, the Urban Development Institute of Canada, and the Ontario Real Estate Association all called for further review of this matter. I would like at some time for you to seriously consider delaying this section of the bill. You are the people with the votes. I think those alternatives are more responsible. There is no point in my arguing and making a big scene about this for the next few months and weeks. I think my energy and your energy could go into pursuing alternatives before we pass this section of the bill.

Everybody in this room knows that we are in deep trouble when we start asking school boards to now look at probably two budget processes. One is to look at the budget process for capital as it relates to the amount of money that the province will be supporting them on. The other part is the dollars that we never experienced in our board but others may have, where we have to go to the public and do front-end capital and debenturing. I was proud to say that in 10 years, we never debentured schools in London. We had the support of the government and we also planned wisely.

Now we are looking at probably another section and that is where school board trustees and administrators are going to have to work so closely with their municipal councillors, which is not a bad thing, but around something that is totally unnecessary and that in the end will increase the cost of housing and schools.

All I can say is that if you have any feeling of responsibility at all around costs to taxpayers and around people's time, administrators' time—you know, this government has increased the bureaucracy and I do not want to be on a big political speech, but now you are asking the municipalities to increase their bureaucracy in order just to carry out this whole process. It is going to be tremendously time-consuming. We have educators who should be more concerned about delivering curricula and programs to the people in our schools and having to set up another whole section, and that is around, "How do we best work with the municipality and developers around lot levies? Do we use them at all?" Of course, school boards are being forced into this, boards that were adamantly opposed to it for good financial reasons, good planning reasons.

The worst part about this was the response I had to the question last week, and that was: "Will the money"—heaven help us, I mean, if this thing goes through—"that school boards do see because

of lot levies be used to house students who are in portables now?" The response was no.

**1630**

Mr Chairman, I just have to tell you that whoever is advising the minister and members of this committee around that have no idea how planning takes place for building facilities in this province. Right now there is a lot of politics around who is on the list, who gets there first. It goes from the local board to the coterminous boards to the regional boards and up to the ministry, and now we have another political aspect to this, and that is: "Boy, they are not even using lot levies in that particular municipality. Let them get their own money in any way they want to. But because they are not using lot levies, which are being proposed by this government as a good thing, there is another political reason to set your board further down on the list."

Obviously, I could go on. I am not going to argue. I did, at lunchtime, take a look at Mr Keyes's amendment. I did not like it at first blush. I have asked a few questions about it. I think it will work, and therefore I am not going to oppose it. I hope the boards use it wisely and that people do not slip in too much equipment and that they do keep the equipment for future growth, because that is what this is all about, assigned to that school, and that the interpretation of—I do not have it in front of me, but I think they were looking at renovations, and I do not know whether the renovations are for future growth, but some new bureaucrats—I hope not—will be making all those decisions down the road. There are problems with it.

But, I mean if you are going to pass it anyway, I suppose to make it, not compatible, but to make the rules the same for municipalities and school boards, that is what you are trying to do. I buy into that kind of thinking, Mr Chairman, but I certainly do not buy into the whole philosophy behind this when we have not looked at the other alternatives. I do not expect to be shot down on all of them right now; that is not the intent. I am just pleading with you, Mr Chairman, to take a look at better alternatives, because we have not done it and it has not been a responsible way of dealing with this part of this particular piece of legislation.

Mr Chairman, I thank you for your indulgence, and I do not want to appear rude if I go tooting out at some time in the future, but I will be leaving before long. Thank you

**The Chair:** Are there any other comments of a general nature before we go back to Mr Keyes's amendment on section 28? If not, Mr Keyes, I

believe you had completed reading your amendment to section 28, which we have before us.

**Mr Keyes:** Yes. My newness, as ever, sitting on a committee, I apologize. I do have three staff members I would ask permission to bring to the table, Elizabeth Dalzell and Brian Lenglet from the school business and finance branch and Mike Riley from the legislation branch, who will be able to give us answers on both the legal side and the financial aspects of it.

**The Chair:** Are there any comments on the amendment that Mr Keyes has placed before the committee? There are also, you will note, at the bottom of each one of these amendments that have been handed out to committee members, notes of explanation.

Motion agreed to.

**The Chair:** Mr Keyes moves that section 28 of the bill be amended by adding thereto the following subsection:

"(2) In this part, reference to the area of jurisdiction of a board in the case of a county combined separate school board or a district combined separate school board is the area designated by the regulations made under the Education Act."

**The Chair:** And there is an explanation on the bottom of that.

**Mr Keyes:** The explanation at the bottom of that is clarifying the meaning of "area of jurisdiction" to ensure that boards can impose education lot levies anywhere within the jurisdiction.

Motion agreed to.

Section 28, as amended, agreed to.

Section 29:

**Mr Keyes:** I have an amendment to subsection 29(1).

**The Chair:** Mr Keyes moves that subsection 29(1) of the bill be struck out and the following substituted therefor:

"(1) If there is residential development in the area of jurisdiction of a board that would increase education capital costs, the board may pass bylaws for the imposition of education development charges against land undergoing residential and commercial development in that area if the residential and commercial development require,

"(a) the passing of a zoning bylaw or of an amendment thereto under section 34 of the Planning Act, 1983;

"(b) the approval of a minor variance under section 44 of the Planning Act, 1983;

"(c) a conveyance of land to which a bylaw passed under subsection 49(7) of the planning Act, 1983 applies;

"(d) the approval of a plan of subdivision under section 50 of the Planning Act, 1983;

"(e) a consent under section 52 of the Planning Act, 1983;

"(f) the approval of a description under section 50 of the Condominium Act; or

"(g) the issuing of a permit under the Building Code Act, in relation to a building or structure."

Motion agreed to.

**The Chair:** Mr Keyes moves that subsection 29(2) of the bill, exclusive of the clauses be struck out and the following substituted therefor:

"(2) Subsection (1) does not apply in respect of an action mentioned in clauses (1)(a) to (g) that have the effect only,"

Motion agreed to.

**The Chair:** Mr Keyes moves that clause 29(3)(d) of the bill be struck out and the following substituted therefor:

"(d) subject to the regulations, establish the education development charges to be imposed in respect of the designated categories of development and the designated uses of land, buildings or structures."

Motion agreed to.

**The Chair:** Mr Keyes moves that subsection 29(5) of the bill be struck out and the following substituted therefor:

"(5) No land, except land owned by and used for the purposes of a board or a municipality, is exempt from an education development charge under a bylaw passed under subsection (1) by reason only that it is exempt from taxation under section 3 of the Assessment Act.

"(5a) In subsection (5), 'board' has the same meaning as in section 28 except that it includes the boards described in clauses (a) to (d) of that definition."

Motion agreed to.

Section 29, as amended, agreed to.

Section 30:

**The Chair:** Mr Keyes moves that subsection 30(11) of the bill be struck out and the following substituted therefor:

"(11) The Municipal Board may,

"(a) dismiss the appeal;

"(b) order the board to repeal the bylaw in whole or in part or to amend the bylaw in accordance with the Municipal Board's order; or

"(c) repeal the bylaw in whole or in part or amend the bylaw in such manner as the Municipal Board may determine."

Motion agreed to.

**The Chair:** Mr Keyes moved that subsection 30(12) of the bill be amended by inserting after "not" in the first line "amend or."

**Mr Keyes:** This is very consistent again, as we had this morning under the municipal side in most of these amendment.

Motion agreed to.

Section 30, as amended, agreed to.

Section 31:

**The Chair:** Mr Keyes moves that subsection 31(3) of the bill be struck out and the following substituted therefor:

"(3) The treasurer of the education development charges account shall refund all education development charges paid under the bylaw or that part of the bylaw that is repealed under subsection 30(11),

"(a) if repealed by the Municipal Board, within 30 days of the date of the order of the Municipal Board; or

"(b) if repealed by the board, within 30 days of the date of repeal."

Motion agreed to.

**The Chair:** Mr Keyes moves that subsection 31(5) of the bill be struck out and the following substituted therefor:

"(5) The treasurer of the education development charges account shall refund the difference between the education development charges paid under that part of the bylaw that is amended under subsection 30(11) and the education development charges required to be paid under the amendment,

"(a) if the bylaw is amended by the Municipal Board, within 30 days of the date of the order of the Municipal Board; or

"(b) if the bylaw is amended by the board, within 30 days of the date of the amendment."

Motion agreed to.

Section 32 agreed to.

**1640**

Section 33:

**The Chair:** Mr Keyes moves that subsection 33(1) of the bill be struck out and the following substituted therefor:

"(1) A school board may amend an education development charge bylaw and the amendment shall come into force on the fifth day following the date the amendment is passed and the part of the bylaw that is amended ceases to be in force on that day."

Motion agreed to.

**The Chair:** Mr Keyes moves section 34 of the bill be struck out and the following substituted therefor:

"34(1) An education development charge is payable,

"(a) to the municipality in which the development takes place on the date a building permit is issued in relation to a building or structure on land to which an education development charge applies; or

"(b) if the development takes place in territory without municipal organization, to the board that imposed the education development charge 30 days after the board mails a notice to the owner setting out the amount of the charge.

"(2) An education development charge imposed by a board in respect of commercial development is the amount determined in the manner prescribed or calculated using the formula prescribed.

"(3) Despite any other Act, a municipality is not required to issue a building permit in relation to a building or structure on land to which an education development charge bylaw applies unless the education development charge has been paid.

"(4) Despite subsection (1), and subject to subsection (5) and the consent of the Minister of Education, a board may by agreement permit an owner to provide school facilities in lieu of the payment of all or any portion of an education development charge and the board,

"(a) shall advise the treasurer of the municipality in which the land is situate of the amount of the credit that shall be applied against the education development charge; or

"(b) if the land is located in territory without municipal organization, shall provide a credit to the owner against the educational development charge.

"(5) If more than one board has jurisdiction in an area and one or more boards are to receive school facilities under subsection (4), all of the boards that have imposed an education development charge in that area are required to be parties to the agreement."

**Mr Reycraft:** Could I ask Mr Keyes if clause 34(4)(a) as it has been moved does permit school boards to provide school accommodation through lease agreement?

**Mr Keyes:** I will refer it to Mr Riley.

**Mr Riley:** Yes.

**Mr Keyes:** Will it allow for leasing?

**Mr Riley:** Yes.



**The Chair:** Yes, it will?

**Mr Riley:** No, I am sorry. One moment.

**Mr Keyes:** We are looking at 34(4)(a), "shall advise the treasurer." Is that the one you are referring to?

**Mr Reycraft:** Subsection 4 is the one I am referring to; not necessarily just 4(a).

**Mr Riley:** It does permit any kind of agreement. Yes, it would permit leasing.

**Mr Ballinger:** So that would answer some of Mrs Cunningham's concerns.

**The Chair:** Mr Reycraft—

**Mr Reycraft:** No, I am satisfied. That is the point I wanted to make; that Mrs Cunningham's concern that we had not provided for that was not correct.

**Mr Pope:** I am still not sure that is the case, however. Does subsection 34(2) fly in the face of what AMO requested?

**Mr Keyes:** Mr Riley. Subsection 34(2), you are referring to the commercial development; the amount determined and the manner prescribed and calculated?

**Mr Riley:** The purpose there is simply to retain flexibility. We have moved that the manner of calculation to the regulations basically to preserve flexibility that may be obtained by resort to the regulations, by using that means.

**The Chair:** I believe the question was, "How does this respond to AMO's request?"

**Mr Lenglet:** AMO's request was that we delete any reference to a charge on commercial property. We looked into that; the reason for having that charge was to reduce the quantum of the charge calculated on residential development. It was believed that it was appropriate to reduce that charge through the use of the commercial development charge.

**Mr Pope:** Thank you.

**The Chair:** Any other questions on the amendment before the committee? If not, shall the amendment carry?

Motion agreed to.

Section 34, as amended, agreed to.

Section 35:

**The Chair:** Mr Keyes moves that subsection 35(1) of the bill, exclusive of clauses (b) and (c), be struck out and the following substituted therefor:

"(1) An owner or board may complain in writing to the council of the municipality in which the land is situate or, where the land is situate in territory without municipal organiza-

tion, an owner may complain to the board that, in respect of the education development charge of that owner,

"(a) the amount of the education development charge imposed was incorrect or based on incorrect data."

Are there any questions or comments on this amendment?

**Mr Pope:** Did not the Association of Municipalities of Ontario and the Urban Development Institute want a clarification that it should be not only a municipality but, where necessary, the school board?

**Mr Lenglet:** Yes. I think the issue there was that the collection itself occurred at the municipal level.

**Mr Pope:** But technically, the municipality would have to refer it back to the board anyway.

**Ms Dalzell:** The intention is that, where the municipality collects the charge, this section allows an owner or a board, if it believes that there has been a mistake made in the collection of the charge, to complain to the municipal council. In respect of that, in a territory without municipal organization, the school board will be responsible for collecting the charge, and in that respect, the complaint will be made to the school board.

**Mr Pope:** Why would you not have it directed towards the institution that is applying the charge? I understand the collection process, but we are talking about levies being made by school boards, and both AMO and the institute think that the best avenue of complaint is to the body that makes the decision to apply these charges.

**Mr Lenglet:** I think the concern there was that what we are talking about here are things like you counted the wrong number of lots. That is a piece of information that would be known to the municipality because it has the building permit application and all that. It is not information that is known to the school board, which is simply receiving a statement from the municipality saying, "We collected for 10 lots."

**Mr Pope:** Yes.

**Mr Lenglet:** The appropriate body having the knowledge of how many lots were actually included in these building permits is the municipality. They would be the ones capable of verifying whether the right number of lots were charged for or not.

**Mr Pope:** So there is no possibility of incorrect charges or charges being based on incorrect data that would not result from a decision or detail given by the board to the council.

**Mr Lenglet:** The issue of the calculation of the charge and the appeal of that is handled under the appeal section to the Ontario Municipal Board, which is a separate matter. It is a matter in which, through the public meeting prior to the bylaw and the process following the bylaw, any interested party may challenge the calculation itself. In this section, we are looking towards a complaint as to the actual collection amount, not on the calculation but on a matter similar to your issuing it for the wrong number of lots and they are charged this for a wrong number of lots.

**Mr Pope:** And that is the only potential argument that this section would apply to.

**Mr Lenglet:** This section does not apply to the calculation of the quantum of the levy itself.

**Mr Pope:** It is the wrong number of lots, and that is the only issue that this deals with.

**Mr Lenglet:** The multiplication there and the number of lots times the amount; a technical amount as to the amount you collected, not to the correctness of the calculation of the charge itself. That, you would appeal to the OMB at the appropriate time after the passing of the bylaw.

**The Chair:** Are there any other questions or comments with regard to this amendment? If not, shall the amendment carry?

Motion agreed to.

**The Chair:** Mr Keyes moves that section 35 of the bill be amended by adding thereto the following subsection:

"(1a) An owner or board may not submit a complaint under subsection 1 after 90 days following the later of,

"(a) the date a building permit is issued, or if development takes place in territory without municipal organization, the date that the education development charge is payable under clause 34(1)(b); or

"(b) the date an agreement is entered into under subsection 34(4).

Motion agreed to.

1650

**The Chair:** Mr Keyes moves that section 35 of the bill be amended by adding thereto the following subsection:

"(5) If a final determination of a complaint has been made and the owner is required to pay an additional amount, the treasurer of the municipality or, in respect of territory without municipal organization, the treasurer of the board, shall collect the additional amount due from the owner and shall remit the amount to the treasurer of the education development charges account."

Motion agreed to.

Section 35, as amended, agreed to.

Section 36:

**The Chair:** Mr Keyes moves that subsection 36(2) of the bill be struck out and the following substituted therefor:

"(2) Educational development charges accounts shall be established in accordance with the regulations and deposited with a chartered bank listed in schedule A to the Bank Act (Canada) or a trust corporation registered under the Loan and Trust Corporations Act, 1987."

Motion agreed to.

Section 36, as amended, agreed to.

Section 37:

**The Chair:** Mr Keyes moves that section 37 of the bill be struck out and the following substituted therefor:

"37. A board that has passed an education development charge bylaw may register the bylaw or a certified copy of it on the land to which it applies."

Motion agreed to.

Section 37, as amended, agreed to.

Section 38:

**The Chair:** Mr Keyes moves that section 38 of the bill be amended by inserting after "municipality" in the third line "or board, as the case requires."

Motion agreed to.

Section 38, as amended, agreed to.

Section 39 agreed to.

**The Chair:** Mr Keyes moves that the bill be amended by adding thereto the following section:

"39a. If an upper-tier municipality issues building permits, subsections 31(7), 34(1) and 34(4) and sections 35, 36 and 39 apply to the upper-tier municipality and not to the area municipality."

Motion agreed to.

Section 40:

**The Chair:** Mr Keyes moves that section 40 of the bill be amended by adding thereto the following subsection:

"(3) The refund shall include the interest owed."

Motion agreed to.

Section 40, as amended, agreed to.

Section 41:

**The Chair:** Mr Keyes moves that clauses 41(d), (f), (h), (i) and (j) of the bill be struck out and the following substituted therefor:

"(d) providing for the application, placement in a reserve, withdrawal and use of the money deposited in or accredited to an education development charges account and requiring the approval of the minister in respect of the manner in which or the rate at which the money is withdrawn;

"(da) prescribing the powers of the treasurer of the education development charges account in relation to the withdrawal of funds;

"(f) prescribing the manner of calculating or determining education development charges and prescribing classes of persons that may make determinations necessary for the calculation of education development charges;

"(h) prescribing, for the purposes of subsection 29(4), an index or indices that may be used;

"(i) prescribing information which boards must provide to other boards and to the minister for the purposes of developing education development charges under this part;

"(j) prescribing methods of calculating and establishing interest rates under section 40."

Motion agreed to.

**The Chair:** Mr Keyes moves that section 41 of the bill be amended by adding thereto the following clause:

"(m) requiring a board to exempt an owner from an educational development charge if the owner meets the prescribed conditions."

Motion agreed to.

Section 41, as amended, agreed to.

Section 42:

**Mr Ballinger:** We will just take a second and replace the staff.

**Mr Keyes:** Substitute. We will never replace this staff, I will tell you.

**The Chair:** The staff is irreplaceable; we have certainly come to realize that.

Mr Ballinger moves that subsection 42(1) of the bill be struck out and the following substituted therefor:

"(1) A bylaw or resolution providing for the payment of charges related to development that is in effect on the date of the coming into force of this act shall remain in effect until the earliest of,

"(a) the repeal of the bylaw or resolution;

"(b) the coming into force of a bylaw under section 3; or

"(c) two years after the date of the coming into force of this act."

Motion agreed to.

**The Chair:** Mr Ballinger moves that subsection 42(2) of the bill be amended by inserting after "bylaw" in the first line "or resolution."

Motion agreed to.

**The Chair:** Mr Ballinger moves that section 42 of the bill be amended by adding thereto the following subsection:

"(3) Subsection 1 does not apply with respect to a bylaw referred to in subsection 14(3) or to a bylaw passed under section 41 of the Planning Act, 1983."

Motion agreed to.

Section 42, as amended, agreed to.

Section 43:

**The Chair:** Mr Ballinger moves that subsection 43(1) of the bill be struck out and the following substituted therefor:

"(1) A municipality shall not enter into an agreement under section 50 or 52 of the Planning Act, 1983, that imposes a charge related to a development, except a charge referred to in subsection 3(6), after the earlier of,

"(a) the coming into force of a bylaw under section 3; or

"(b) two years after the date of the coming into force of this act."

Motion agreed to.

**The Chair:** Mr Ballinger moves that subsection 43(2) of the bill be struck out and the following substituted therefor:

"(2) An agreement with respect to charges related to development made under section 50 or 52 of the Planning Act, 1983, that is in effect on the earlier of the dates referred to in clauses (1)(a) and (b) remains in effect."

Motion agreed to.

Section 43, as amended, agreed to.

**The Chair:** Are there any further amendments to the bill?

**Mr Ferraro:** May I ask a question on the last one?

**The Chair:** Section 43?

**Mr Ferraro:** Briefly?

**The Chair:** Sure.

**Mr Ferraro:** It was pointed out to us, and I cannot remember by whom, that 43 was in conflict with 42. I am assuming the amendments take away that conflict. I think it was a lawyer who pointed it out.

**Mr Cowin:** They were intended to do that, yes.

**The Chair:** Are there any further amendments to the bill?

Sections 44 to 49, inclusive, agreed to.

Title agreed to.



Bill, as amended, ordered to be reported.

**ONTARIO MUNICIPAL IMPROVEMENT  
CORPORATION AMENDMENT ACT, 1989**

Consideration of Bill 18, An Act to amend the Ontario Municipal Improvement Corporation Act.

**The Chair:** As a committee, we should deal with Bill 18, which was to go simultaneously. "Coterminously" may be a better word to use in this case, if such a word exists.

Bill 18 was apparently through the previous finance and economic affairs committee and went to the House and was sent back to be brought together with Bill 20. It is a bill to remove the borrowing limitation on the corporation, contained in section 14 of the act, in order to allow the corporation to borrow Canada pension plan funds to offer to school boards, as announced by the Treasurer (Mr R. F. Nixon) in the budget.

Is it the wish of the committee that I report Bill 18 to the House?

Bill ordered to be reported.

**ORGANIZATION**

**The Chair:** We can discuss the agenda; I just want to make sure all our bills and amendments are cleaned up and signed.

We have a slight problem with regard to the hearing date of 30 November that was agreed upon this morning. The House will not be sitting that day due to commitments by other members, so we have agreed to attempt to get additional sitting time, if necessary, from the House leader on either Monday and/or Tuesday afternoon of that week. I have talked to the government House leader and the clerk will be drafting a letter to go out to the House leaders requesting that. I think Mr Mackenzie is aware of that and Mr Morin-Strom is aware of it, as well as Mrs Cunningham. Hopefully, we will be able to have those two days set aside for hearings and clause-by-clause on bills 46 and 47.

Is there any other business to come before the chair?

The committee adjourned at 1702.

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## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

**Chair:** Mahoney, Steven W. (Mississauga West L)

**Vice-Chair:** Ferraro, Rick E. (Guelph L)

Carrothers, Douglas A. (Oakville South L)

Cunningham, Dianne E. (London North PC)

Daigeler, Hans (Nepean L)

Haggerty, Ray (Niagara South L)

Hošek, Chaviva (Oakwood L)

Mackenzie, Bob (Hamilton East NDP)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Reycraft, Douglas R. (Middlesex L)

Runciman, Robert W. (Leeds-Grenville PC)

**Substitutions:**

Ballinger, William G. (Durham-York L) for Ms Hošek

Keyes, Kenneth A. (Kingston and The Islands L) for Mr Carrothers

**Clerk:** Freedman, Lisa

**Staff:**

Anderson, Anne, Research Officer, Legislative Research Service

Mifsud, Lucinda, Legislative Counsel

**Witnesses:**

**From the Ministry of Municipal Affairs:**

Ballinger, William G., Parliamentary Assistant to the Minister of Municipal Affairs (Durham-York L)

Cowin, Dan, Economist, Grants and Finance Policy

Chipman, John G., General Counsel, Municipal Affairs

**From the Ministry of Education:**

Riley, Michael, Counsel, Legislation Branch

Lenglet, Brian, Manager, Policy/Legislation Liaison

Dalzell, Elizabeth, Policy/Legislation Analyst



Ontario

No. F-4

# Hansard

## Official Report of Debates

### Legislative Assembly of Ontario

#### **Standing Committee on Finance and Economic Affairs**

Commercial Concentration Tax Act, 1989

Employer Health Tax Act, 1989

#### **Second Session, 34th Parliament**

Thursday 9 November 1989

Speaker: Honourable Hugh A. Edighoffer

Clerk of the House: Claude L. DesRosiers





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Contents of the proceedings reported in this issue of Hansard appears at the back, together with a list of the members of the committee and other members and witnesses taking part.

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 9 November 1989

The committee met at 1012 in room 151.

### COMMERCIAL CONCENTRATION TAX ACT, 1989

#### EMPLOYER HEALTH TAX ACT, 1989

Consideration of Bill 46, An Act to establish a Commercial Concentration Tax, and Bill 47, An Act to impose a Tax on Employers for the purpose of providing for Health Care and to revise the requirements respecting the payment of Premiums under the Health Insurance Act.

**The Chair:** Good morning, ladies and gentlemen. I think I will call the meeting to order. There are some members who are speaking in the House who will be coming in as the morning progresses, but I see a quorum.

We are here today to deal with ministry briefings on bills 46 and 47. It has been agreed that we will deal with Bill 47 first, known popularly or otherwise as the Employer Health Tax Act. It is indeed An Act to impose a Tax on Employers for the purpose of providing for Health Care and to revise the requirements respecting the payment of Premiums under the Health Insurance Act.

We have with us this morning Remo Mancini, Minister of Revenue. Mr Mancini, I assume you have members of your staff you would like to introduce. As we proceed, I would assume that you will be making a presentation to us and then we will open it to questions. Our hope would be to conclude the briefing on the employer health tax this morning and to move after routine proceedings this afternoon to the briefing on the commercial concentration tax, as we have an ad appearing in the papers, I believe tomorrow, inviting people to come before the committee. We have a relatively tight schedule to meet, so hopefully we can conclude, although I am not putting a muzzle or a noose on anyone; we would like to have full and thorough briefing of this bill.

Mr Mancini, with those opening comments, I would welcome you to the committee and thank you for coming and ask you to proceed.

**Hon Mr Mancini:** I note your new look this morning.

**The Chair:** I had a shave.

### MINISTRY OF REVENUE

**Hon Mr Mancini:** First of all, I want to tell you that I am accompanied this morning by a number of senior staff, both from my political office and from the bureaucracy. To my left is the deputy minister, Terry Russell. Many of you know Mr Russell; he has been before many committees over the last 12 or 14 years.

I would like to let you know that we offer to the members of the committee who have conflicting obligations this morning a private briefing, if they wish. All they have to do is contact myself or Mr Russell and we will, at their convenience, provide them with any and all information that they may have missed this morning. We understand that the Legislature is sitting this morning and that some members have dual obligations.

What I thought I would do before I read a short opening statement is to let you know that I believe we have a very good briefing package ready for the committee members this morning. We are going to do it in slide presentation form. Members will have a package whereby they can follow the slides.

I was hoping that if it is possible, members could hold their questions until the end of the slide show, for lack of better words, and then we could answer all questions. That is up to the members. If they do not wish to have the briefing done in that manner, we will try to accommodate them in another way.

**The Chair:** I think if it were a video we would probably have a lot of questions as we went through, but a slide show—

Interjection.

**Hon Mr Mancini:** This slide presentation was done in-house, so I do not think we have any problems with that.

**Mr Daigeler:** It was not used—

**Hon Mr Mancini:** Yes. It has not been used outside of Ontario yet, but we may find a place to use it.

The other matter is the matter of amendments. We provided amendments to both opposition parties as soon as I was able to see them and sign off on them.

With that, Mr Chairman, I would like to thank you and the committee members for having us here this morning.

As you are all aware, in January 1990, OHIP premiums will be replaced by the employer health levy, as announced in the budget of the Treasurer (Mr R. F. Nixon) of 17 May 1989. This new Employer Health Tax Act, presently Bill 47, contains the necessary provisions for introducing the new tax as well as amendments to the Health Insurance Act to phase out premium payments.

The employer health tax will place health care funding on a more solid foundation than the present health insurance premium structure. The new tax is more equitable and progressive and is a system which will shift the burden of health care costs from lower-income groups that may not qualify for premium assistance to a system where all employers will share in the contribution towards health care financing.

The introduction of the employer health tax confirms the government's commitment to providing Ontarians with quality health care. As well, the new tax responds to the recommendation by the Social Assistance Review Committee to provide universal access to such health care in the province. The SARC recommended that OHIP premiums be eliminated in order to improve access to health care, particularly preventive health care for many low-income people.

In general, the replacement of OHIP with the new employer health tax benefits all individuals and families in Ontario, who in 1990 will realize \$550 million in premium savings and \$400 million in personal income tax savings resulting from the elimination of OHIP as a taxable benefit.

The benefits of implementing the new tax will also extend to employers. Many who presently cover 100 per cent of their employees' OHIP premiums will realize the cost savings under the new act. The employer health tax will also lessen the administrative burden on all employers, who will no longer be responsible for the administration of OHIP group plans. Employers will simply remit payments on either a monthly or quarterly basis, based on remuneration paid to their employees during the applicable period.

Effective January 1990, the employees themselves will be responsible for ensuring their own registration for health care coverage and benefits. In addition to the employer health tax, all Ontarians will continue to contribute to the health care system through a one per cent increase in Ontario personal income tax.

I will be introducing certain amendments to Bill 47 during the clause-by-clause stage. Specifically, these will include a change to the commencement date of the tax from December 1989 to January 1990; a correction of a cross-reference in the act; a clarification of the limits of remuneration ranges; reducing the time limit for legal proceedings from eight years to six years; and other amendments that will enable collection of the tax without the benefit of regulations.

I would like to introduce some staff people who are here with us: Treasa Labaj and Sewack Gurdin from the Ministry of Revenue; from the Treasury, Steve Orsini; and Patricia Malcolmson from the Ministry of Health. They will all be coming forward in a moment to help us with the slide presentation.

Again, in closing, I would like to emphasize that the employer health tax introduces a system of health care financing in Ontario that is not only more equitable and progressive, but also a simple tax which benefits all Ontarians. The new tax will enable us to continue to offer quality health care while minimizing the financial burden on the residents of this province.

If I could have staff come forward, we would like to get right into the slide presentation so that members can have time for questions.

**Mr Russell:** The slide presentation is essentially in two parts. The first part will be demonstrated by Treasa Labaj and then we will have Sewack Gurdin come to the second part.

**Ms Labaj:** By way of introduction, I would like to reinforce what the minister said in his introductory statement, that with the coming of the employer health tax, OHIP premiums are being replaced by a tax that is more equitable and progressive and places health care on a solid foundation.

OHIP premiums cease in December 1989, at which time the EHT commences, in January 1990, to replace the portion of health care funding that was formerly collected from OHIP premiums. EHT will affect approximately 450,000 employers in Ontario. I would like to mention as well that the coverage period for current subscribers to OHIP will continue if the OHIP premiums are paid up.

In January, the coverage for health care will not be linked to the employer payment of EHT. We are introducing a new system of universal access to health care and the health care funding is a separate issue. They are no longer linked, as they were under the OHIP system.



As with OHIP regulations for eligibility requirements and access to health care, persons moving to Ontario after 1 January 1990 must register with the Ministry of Health to ensure health coverage.

To give you a bit of background on the tax, there are some very good reasons why the tax has been introduced. First of all, it is subsequent to a government commitment to eliminate OHIP premiums. The premiums were frozen in 1985 to give the government a chance to take a look at health care funding and to install a fair and equitable system of funding health care in the province. As well, it follows a recommendation from the Social Assistance Review Committee, which recommended that OHIP premiums be abolished in order to improve accessibility to health care.

All in all, the EHT will provide a \$1-billion benefit to the residents of the province in the first year in that pay-direct families, families who pay directly for family coverage under OHIP, will save \$714 and those people in Ontario with employer-paid OHIP will realize a maximum \$342 taxable benefit saving.

One of the most important points about the employer health tax is that it is a shared responsibility to fund health care. It is a responsibility shared between the employers and the individuals in that employers will be paying employer health tax based on remunerations paid to employees and individuals in Ontario will also contribute by way of a one percentage point increase in the Ontario personal income tax rate.

To sum it all up, the EHT will place health care funding on a solid foundation and it will increase the incoming revenues for the financing of health care from the present 13 per cent which OHIP contributes to 16 per cent under EHT.

Basically, the design of the employer health tax is to tax employers who pay remuneration to employees in Ontario. There are different rates associated with remuneration levels for different employers. The 1.95 per cent rate is levied on employers with a gross annual payroll in excess of \$400,000. They will be required to pay those instalments on a monthly basis. Employers who have payrolls that do not exceed \$200,000 per calendar year will be taxed at a rate of 0.98 per cent and they will be paying quarterly instalments. Those employers who fall between the \$200,000 and \$400,000 levels of remuneration will be taxed at graduated rates that vary between 0.98 per cent and 1.95 per cent and they will be paying on a quarterly basis as well.

The reason for those graduated rates is to allow for fluctuations for businesses that fall between the two categories of \$200,000 and \$400,000 and to allow for seasonal employment variations. If someone brings on a new staff member, we would not want them to jump to the highest level right away. It gives different increment levels to allow for fluctuations during the calendar year.

Employers will have the opportunity to reconcile their account by way of an annual tax return which will be filed following each calendar year. In the tax return, the employer will be required to report to the ministry exactly how much remuneration was paid during the previous calendar year, the amount of tax that was actually paid and the amount of tax that should have been paid. At that time it will be determined whether the employer will have to file a subsequent payment on the following due date or if he or she is to receive a refund. If they have overpaid, they could use the excess to offset future tax instalment payments.

The tax itself will be payable by all persons, corporations, governments and nonprofit organizations.

Just to bring you all up to date, the EHT was first introduced by the Treasurer in the 17 May 1989 budget. Subsequently, the Treasurer announced on 15 June that small employers would be able to file their tax instalments on a quarterly basis, thereby allowing a greater cash flow. As well, at that time \$23 million in assistance was introduced by the Treasurer. That assistance is provided for provincially funded social and health organizations, which include colleges, universities and hospitals. These organizations depend very heavily on tuition fees, set rates, grants, things of that nature, and their budget years do not coincide with the fiscal year. This assistance is provided for the months of January, February and March of 1990 to give them a chance to accommodate this tax in subsequent budgets.

The bill received first reading in the Legislature on 10 July, following which the ministry issued an information request to potential taxpayers throughout Ontario to confirm some data which I will go over in just a few minutes, and as you all know, second reading was received in the Legislature on 26 October of this year.

The information request which was sent to employers confirmed for the ministry whether that employer indeed had a permanent establishment, which is one of the requirements for liability for the tax; if there were any corporate linkages that we should be aware of by way of

divisions or subsidies; and identified instalment filing frequencies. The information that was asked for on the questionnaire included an estimate of the gross annual payroll for 1990 so that the Ministry of Revenue could gain a better understanding of what the tax roll would look like; how many instalments we would expect on both a monthly and a quarterly basis.

Of the 450,000 information requests issued, to date approximately 250,000 responses have been received. On Monday of this week, 6 November, the ministry mailed a follow-up questionnaire to those employers who had not yet responded to the initial questionnaire. Those who do not respond will be receiving a tax bill in December 1989 along with the monthly filers.

On an ongoing basis, and beginning later this month, the ministry will be issuing employer kits to employers who have responded to the information request, thereby confirming their liability for the tax. The employer kit comprises an information guide for employers, a fact sheet, an introductory letter to give them an idea what the tax is all about and a basic brochure which will give them some summary information in case employees have questions. In the case of different municipal and provincial offices that we will be using across the province to disseminate information, staff there will be able to hand these out to Ontario residents who are interested in knowing about the tax.

### 1030

To inform the public, as well as government and other associations, we have been presenting seminars and conducting education programs throughout Ontario to payroll associations, municipal clerks and treasurers, chambers of commerce, cultural, community and ethnic groups and government organizations. This has given people a better understanding of what the tax is all about. Something like this is quite new to the province and we feel it is very important to disseminate the information ahead of time to avoid any misconceptions or misunderstandings and to allow people to gain a better understanding of what will be coming in January.

Currently the bill is being presented to the standing committee on finance and economic affairs, and we look forward to third reading and royal assent.

A summary of the legislation will be provided by Sewack.

**Mr Gurdin:** I will give you a brief review of the legislation and certain key aspects of the legislation.

First of all, there are certain key definitions used: "employee," "employer," "remuneration" and "place of business." As we go along, we will deal in more detail with each one of these.

First of all, who pays? It is a tax on the employer, and that is a very key thing: it is a tax on the employer, not on the employee. The employer pays on the remuneration that he pays to his employees who report for work at a permanent establishment in Ontario. That is significant because for companies that operate in more than one province we have to make sure that only the remuneration relating to operations in Ontario is taxed. There are also certain employees who do not report for work at a permanent establishment but are paid from Ontario. The remuneration paid to those people will also be included in the tax base.

As far as the employers go, they are persons, corporations, the government and certain semi-governmental agencies and hospitals, universities, etc.

Who does not pay? First of all, there are the self-employed. Then there are embassies, consulates and trade offices; also, Indian individuals, status Indians on reserves and remunerations paid by corporations to status Indians on reserves. These follow exemptions that are granted under the Indian Act.

The remuneration on which the tax is based is basically the gross payroll for the calendar year that is paid to employees. The key element here is that the exemption to the self-employed means that it is necessary to distinguish between someone who is an employee and someone who is self-employed. The guide here is the treatment given for Department of National Revenue income tax purposes.

Remuneration includes salaries, wages, bonuses, commissions paid to employees—as opposed to commissions paid to the self-employed which are not taxed—taxable allowances and benefits. The guideline there is payments on which Revenue Canada is required to deduct and withhold personal income tax.

What is excluded? Pensions, annuities and superannuations paid to former employees after retirement.

There is also a definition of "permanent establishment," and as I mentioned, this is to make sure that only operations relating to Ontario come under the tax. The permanent establishment definition includes "a fixed place of business" located in Ontario or, where there is not a fixed place of business in Ontario, then the principal place in Ontario where the employer's



business is conducted. The use of "substantial machinery or equipment" in Ontario relates in particular to contractors from outside the province who are carrying out contracts in the province.

It also includes business carried on through an employee or an agent of a corporation or a business located outside of Ontario that has given general authority to contract to this employee or agent located in Ontario or where the employee in Ontario fills orders from stock of the employer's merchandise located in Ontario.

Then there is a catch-all. Incidentally, the definition of permanent establishment that we have here is the same definition that is used for corporation income tax purposes, for federal income tax purposes in the allocation of revenues among the provinces, and it is also used in the comparable payroll tax that is in effect in Quebec and Manitoba. That is to make sure there is no double taxation between provinces.

There will be instalments that employers will be required to pay. First of all, there will be what we commonly refer to as large employers. Large employers are those with annual remuneration over \$400,000. The large employers are going to be making monthly instalment payments. Then there are the small employers, those with remuneration not over \$400,000, and they will be making quarterly instalment payments. The first monthly instalment payment is due on the 15 January 1990 and the first quarterly instalment is due on 15 April 1990.

There will also be an annual return required. The purpose for the return is to give the employer an opportunity to report the actual remuneration that has been paid for the calendar year, to reconcile the instalment that he has actually paid and the tax he has calculated and to claim a refund on the balance or to pay any balance owing as the case may be. The first return for the monthly instalment payers would be on 15 March 1991 and for the quarterly on 15 April 1991.

We have been asked whether there is any declaration of future payroll that would be made on the annual return when it is filed. The answer is no, but since payroll levels vary, and especially since it is only an estimate of the payroll for the year, we are giving employers an opportunity to switch. If their experience proves that they should have been a monthly filer instead of a quarterly filer, or vice versa, we are giving them an opportunity to tell us that their status has changed and to allow us to switch from one status to another. One of the ways they can do this is through the annual return.

## 1040

Who else in Canada has a similar payroll tax? Quebec has had one for some years now. Their rate is 3.36 per cent and it is levied on all employers and there is no break for small employers. Also, they do not tax the self-employed.

Manitoba has a similar tax. In their case payrolls up to \$300,000 are exempt, but then with payrolls over \$300,000 they double the rate, so in effect for the next \$300,000 the employer is paying more than the established rate. By the time they get to \$600,000 they are paying the normal rate of 2.25 per cent on the full \$600,000 payroll. The exemption really applies only to the people with the first \$300,000 payroll. They also exempt the self-employed. As a side note, as from 1 January 1990 the Manitoba exemption will be going up to \$600,000. The range for the doubled rate would be increased to between \$600,000 and \$1.2 million. The full rate of 2.25 per cent would apply to payrolls over \$1.2 million.

Let's look at the revenues that will be generated and the costs. The tax is expected to generate a net revenue of \$2.1 billion. The small employers, those with payrolls of \$400,000 or less, make up 89 per cent of the employers and they will be paying \$300 million of the \$2.1 billion. The large employers make up 11 per cent of the total and they will be paying \$1.8 billion or 85 per cent of the revenues. Presently, OHIP brings in about \$1.8 billion.

We intend to have six regional offices. The intent behind setting up regional offices is to provide service to the taxpayer nearer to his place of business. The locations are based on the concentrations of employers from analysis of the tax roll that we have. The locations are greater Toronto area east, GTA west, southern Ontario, northern Ontario, western Ontario and eastern Ontario. There will also be a head office in Oshawa which will be primarily responsible for remittance processing and customer service legislation.

Because of developing and getting into operation the implementation of the tax, there is first of all a three-year cost of development and operation. The total cost—that is, everything associated with the setting up and operation of the tax for the first three years—is \$55.3 million. It is broken down as a \$22.3-million onetime startup cost which includes systems development and data centre expansion and a \$33-million operating cost for the first three years.



After the first three years, when the program reaches maturity, there will be an annual operating cost estimated at \$19 million. At that time it is expected the total additional staff in the Ministry of Revenue to run the program would be 230.

At the bottom there we give a ratio of the costs compared with the revenues that are coming in, and it is shown there to be less than one per cent, which compares favourably with the costs of collecting other taxes in the Ministry of Revenue.

**Hon Mr Mancini:** I believe that concludes our presentation for the committee members this morning. I want to thank all the committee members for their patience and for listening so closely. Mr Chairman, we are in your hands. We are here to answer questions and to provide you and the members of this committee as much information as possible.

**Ms Hošek:** My question is just a technical one. One of the people who was presenting talked about corporate linkages. I wanted to know what the issue was around corporate linkages.

**The Chair:** Anyone who is going to answer should come to a microphone, otherwise it is not picked up by Hansard.

**Mr Russell:** Yes, we are just trying to find the right person.

**Ms Hošek:** I think the young woman was the person who raised it in her presentation.

**Mr Lawrie:** Good morning. My name is Roy Lawrie, assistant deputy minister, tax revenue. Corporate linkages refers to—most of the tax roll for the EHT was set up from the personal income tax employers' tax roll of Revenue Canada. As they are right across the country, they permit employers to set up on a plant basis. It does not matter to them. They can have separate accounts for each plant. Because we have differential rates in EHT, we have to know the total payroll of each employer; therefore, they can only have one account. In other words, the point of the questionnaire was to find out how many different employer numbers each employer had with Revenue Canada so we could put them together to calculate the correct tax.

**Ms Hošek:** Was one of the concerns you were trying to get at the possibility that there would be an employer who would basically shift his or her payroll out of the province for the purpose of avoiding paying EHT? Was that one of the issues or not?

**Mr Lawrie:** That is a separate issue, but the main reason for determining corporate linkages,

as I said, was to pull everybody together under one identification number to calculate the correct amount of tax. Otherwise, it would be possible to avoid the tax by having a number of small payrolls which would give you access to the lower rates, the 0.98 per cent or the 1.9 per cent as opposed to 1.95 per cent.

**Ms Hošek:** I see. For you the issue was someone splitting up his workforce such that he has 10 workforces under a certain number.

**Mr Lawrie:** Correct. It is even quite common for some corporations to have the executive payroll under a different Revenue Canada source deductions account number than, say, their plant payroll, for confidentiality reasons. Again, for our purposes that would not do. We have to lump all of the payrolls together to calculate the right rate.

**Ms Hošek:** So a place like Magna International that systematically tries to have each plant have a hundred people or so in it would none the less be, under your definition, a large employer?

**Mr Lawrie:** Yes.

**Mr Morin-Strom:** I have a number of technical questions as well on the various aspects that were presented today, but first I would like to get at the heart of the whole issue, particularly in terms of the title of the tax. Why have you called it a health tax rather than a payroll tax?

**Hon Mr Mancini:** That was a decision that was made by the Treasury and the government when the tax was introduced because that is exactly what it is. It replaces OHIP premiums, which are a tax to collect certain amounts of moneys to support the expenditure of more than \$14 billion yearly for health care. That particular tax is being eliminated and this one, which is more fair, more progressive and puts our health care funding on a firmer basis, is taking its place. It is that simple.

**1050**

**Mr Morin-Strom:** My impression of revenue, and the position of the Treasurer, certainly in front of this committee in the past, typically has been that he has been very reluctant to have pools of funds for specific designated purposes and that, in his view, all tax revenues go into a general pool for the usage of the government for all purposes. Is this tax a designated pool for health care or is this just another source for the general revenues of Ontario?

**Hon Mr Mancini:** I think, with your experience in the Legislature, you know that we do not operate our Treasury the way the American government operates and that the money goes to

the consolidated revenue fund for specific purposes. The specific purpose of this tax is to support our health care funding, to support the health care system. That is the specific purpose for this tax.

**Mr Morin-Strom:** Does that imply that as health care costs change in Ontario this tax will have to change with them to reflect a portion or an ongoing displacement of costs that would have been paid by those premiums? In other words, where is the explicit tie going to be? In the short run, you can say, "Yes, today we've shut down one tax and we've started another tax." The original one was related to health care. I want to know where in the long run is going to be the justification for calling this a health care tax. What is the specific tie going to be to health care costs?

**Hon Mr Mancini:** Future budgets will decide tax levels of all taxes, not just this particular tax. Future determinations made by the Treasury, the Treasurer and the government will make those decisions. I cannot sit here today and tell you what the tax rate of any of our taxes is going to be five or 10 or 15 years down the road because frankly we are not sure where all the pressures are going to be five and 10 and 15 years down the road.

Today, in the last few years, and possibly in the foreseeable future, the cost of health care funding, which is going up at a phenomenal rate, is one of those pressures. That is why the Treasurer felt that health care funding should be put on a more solid foundation and that the premiums, which your party has opposed and which we have opposed, are not the mechanism to fund health care. Where some people paid, others did not. Some employers paid. Some employers paid part of the premiums; some employers paid nothing. To us and, if I recall correctly, to your party, that was not the appropriate way to raise moneys to sponsor our health care system.

We have found a way to do that which we believe is fair, which gives a break to small business by charging them the half rate, which is a simple tax to collect and which is a program we have deemed to be very economical to run.

**Mr Morin-Strom:** There is no doubt that our party supports the elimination of the OHIP premiums. That is absolutely correct and we have been pressuring the government for many years to do that. Our concerns are that this now is not a health care tax. This is a payroll tax and a new form of taxation that is not as progressive as some of the other alternatives may have been.

**Hon Mr Mancini:** You must know that the moneys that were collected from OHIP premiums went into the consolidated revenue fund with all of the other funds. That is a fact.

**Mr Morin-Strom:** Let me ask some specific questions from your presentation. You have said that OHIP premiums paid less than 13 per cent—this is one presentation—and with the employer health tax it will now be 16 per cent of health care costs. On the same page you have also made reference to the personal income tax going up by one per cent to cover health care costs as well as part of this shared responsibility. Is that comparison just with this health care tax on businesses or is that the combination of the two that gives the 16 per cent?

**Hon Mr Mancini:** No. The OHIP premiums are bringing in approximately 13 per cent of the cost of health care. Some people in the province for some reason believe that OHIP paid for the entire \$14 billion that we are going to be spending this fiscal year. That is not the case. Premiums have paid 13 per cent. That haphazard way of collecting money brought in 13 per cent. We all know that OHIP premiums have been frozen for the last five fiscal years.

The employer health tax, this new levy, will bring in approximately 16 per cent. The one per cent, I believe, will bring in another \$237 million; one point on the provincial income tax is \$237 million.

**Mr Morin-Strom:** As a percentage, is it two per cent? As opposed to that 13 and 16 per cent figure, it is what percentage of the health care cost?

**Hon Mr Mancini:** If you add \$2.1 billion, which is going to be the net from the new employer's health tax, and \$237 million, you get \$2,237,000,000. You factor that into approximately \$14 billion and you get your results.

**Mr Morin-Strom:** You have got here another presentation on exemptions, who does not pay. The self-employed do not pay. I would like to ask some specific examples. For example, professionals such as lawyers, doctors and dentists who, I believe, are typically self-employed, are they going to have to pay?

**Mr Lawrie:** They would have to pay on the salaries and wages of their own employees. They would not have to pay on their own self-employment income or drawings, if you want to call it that.

**Mr Morin-Strom:** Would that apply to some other professional people?



**Mr Lawrie:** The main category of self-employed are sole traders and entrepreneurs, businessmen in general. That is the main kind of area of self-employed. It is not just professionals.

**Hon Mr Mancini:** They will still pay the extra one per cent. That is on a progressive system, so the more they make, the more they will have to pay.

**Mr Morin-Strom:** Not on the wages paid to themselves, though, is it? My understanding is that in fact probably the three highest pay categories of Ontario—lawyers, doctors and dentists—the vast majority of them will not pay a payroll tax on the wages paid to themselves.

**Hon Mr Mancini:** That is correct, but they will pay on the graduated system, on the progressive system of one per cent on their wages.

**Mr Morin-Strom:** On the wages they are paying to their—

**Hon Mr Mancini:** To themselves.

**Mr Morin-Strom:** Okay. Another question, particularly of concern in a border community, has to do with the difference between whom you are paying for in terms of place of work in comparison with who gets OHIP coverage, which I understand is based on your place of residence.

**Hon Mr Mancini:** There is no more linkage between the employer's health levy and who and who does not get medical services. Everybody gets medical services and there is no linkage, unlike OHIP where if you were at the lower end of the scale and if you could not make your premium payments, you had to worry about how your health care services were going to be paid for. That has all been eliminated. That is gone.

**Mr Morin-Strom:** I will give you an example. We have Canadian citizens living in Sault Ste Marie, Michigan—their residence is in Sault, Michigan—and working at Algoma Steel Corp.

**Hon Mr Mancini:** On the Ontario side? They are working in Ontario?

**Mr Morin-Strom:** They are working in Ontario, their residence is in the United States. Is it not the case under this bill that Algoma Steel will pay a premium for them based on their place of work?

**Hon Mr Mancini:** They will not pay a premium; they will pay an employer's health tax on total wages paid.

**Mr Morin-Strom:** So they will pay that health tax on the wages that were paid to those Canadian workers who are living in the United States?

**Hon Mr Mancini:** That is my understanding.

**Mr Morin-Strom:** Will those workers be covered with OHIP coverage?

**Hon Mr Mancini:** As far as I know, yes, because there is no linkage between the health care system and the employer's tax.

**Mr Morin-Strom:** Your assistants are shaking their heads negatively.

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**Ms Malcolmson:** I am Patricia Malcolmson from the Ministry of Health. Coverage is based on residence, so the legislation which governs coverage, the Health Insurance Act, will remain exactly as it is now. A person is eligible for coverage if he is a resident of Ontario, so it does not include someone who is a resident of the United States.

**Mr Morin-Strom:** I see under subsection 40(3) that in fact this legislation is defining—"becomes a resident of Ontario; or is a resident of Ontario and ceases to be a member of a class designated by the regulations." That section seems to again specifically say you have to be a resident of Ontario. Would the ministry consider changes to the Health Insurance Act as a part of the changes you have put in here to ensure there is some coverage for those employees who are working in the province of Ontario, particularly those who are Canadian citizens, and the corporations that are paying a tax percentage based on their wages, to have them covered?

**Ms Malcolmson:** We have at this point in time considered no change to the residence requirements under the Health Insurance Act.

**Mr Morin-Strom:** I just hope this committee maybe will take a look at that.

**Hon Mr Mancini:** Sorry about the confusion there, but I think we have got the answer now.

**Mr Runciman:** I am just looking at some of the materials provided by the research staff. One of them is a news article quoting the president of the Ontario Chamber of Commerce expressing concern about firms that are, as he said, fleeing Ontario and relocating in the United States.

I noticed it was in 1986, 1987 and 1988 that there were reports prepared for the Ministry of Industry, Trade and Technology dealing with the question of payroll taxes that indicated that if such a tax were brought in, it would deter small firms from hiring and impair job creation, increase the payroll tax burden on remaining jobs and advised against the imposition of a wholly employer-paid payroll tax. That was the Ministry of Industry, Trade and Technology in 1986, 1987



and 1988. I am just wondering, did your ministry or Treasury have any studies which would refute those conclusions?

**Hon Mr Mancini:** I would dare say that employers in the United States are facing tremendous costs as far as health care is concerned and I would dare say that the American government is going to have to spend huge amounts more money to keep many of their hospitals going. I have read in numerous documents that by the year 2000 approximately one third of American hospitals could close. I have always found that business wants to locate where services are available to their employees.

Frankly, we can give you some data here as to the total tax burden—I will save that for later—but to be very clear about it, the elimination of OHIP premiums and the replacement of OHIP premiums with this new tax, I think, is more than fair. It requires everyone to pay something. It funds only a portion of the total health care budget, and if there is any way we could bring money to the Treasury without raising taxes in order to pay for health care, we would be happy to.

**Mr Runciman:** Which means cutting costs for a change. But that is not really—

**Hon Mr Mancini:** I was just told by one of my officials that in the United States, Chrysler's health care cost is more than the amount of money that is paid for here in Ontario. There are a lot of other interesting things I can say, so I do not for moment believe that health care funding and the costs of health care in the United States are less than in Canada, specifically Ontario. That is not reality.

**Mr Runciman:** That is all well and good, I guess, your gut feeling, your intuition in respect to some newspaper columns you have read, but I pointed out to you—

**Hon Mr Mancini:** That is what you did. You read from a newspaper column. You said you read something from a newspaper column that some chairman at some organization had said.

**Mr Runciman:** And then I followed it up.

**The Chair:** If we had only one person speaking at a time we would probably be a little more productive.

**Mr Runciman:** I followed it up by quoting from three reports—1986, 1987 and 1988—from the Ministry of Industry, Trade and Technology. I quoted specifically from those reports from your own government. They expressed concerns about the payroll tax. I was asking you, have you or Treasury done anything in respect to refuting

those contentions made by a ministry of your government?

**Hon Mr Mancini:** The facts are that for the last five fiscal years OHIP premiums have been frozen and employers who paid part or all of OHIP premiums have in fact not had to pay increased health care costs through this premium basis. OHIP premiums have been bringing in 13 per cent of the cost of funding the Ministry of Health and giving health services to Ontarians. We have set up a system where we have asked everyone to pay. Employers with small companies will be paying at the half rate and we will be bringing in \$300 million more.

I may add that had OHIP premiums not been frozen—something that your party never wanted to do and never tried to do when it was in office—and if we had increased OHIP premiums in connection with the consumer price index, by this fiscal year we would be bringing in more money through OHIP premiums than we are through the new employer health levy. That would have hit certain employers very hard because certain employers were paying all of OHIP premiums. That would have hurt maybe smaller employers who were paying part because the premiums would have gone up. It would have put a greater burden on people who were paying their own OHIP premiums. That is something some committee members do not seem to want to take into account. There are a lot of people out there, whether they could afford it or not, who were asked to pay for their own premiums.

We were asking them to make contributions when some companies were not making contributions. That is not a fair way to collect moneys to support a health care system which is at the availability of all Ontario residents. Health care costs in Ontario are not as great as health care costs in the United States. I think that is a given. The honourable member can check any statistical data he wants and he will find that to be correct. The rates we are charging are considerably lower than the rates of the other two provinces. We are trying to put health care funding on a solid financial footing.

**Mr Runciman:** That was a long “no.” I gather the ministry has not done any studies to refute its own government's conclusions—one ministry, in any event.

Moving on to another area with respect to taking a look at the implications of this tax, I wonder if you and your ministry, or perhaps Treasury, have done any assessment of the impact of the tax on wage settlements, inflation and job creation?

**Hon Mr Mancini:** If we had abolished OHIP premiums—

**Mr Runciman:** This is another lengthy “no”; I can see it coming.

**Hon Mr Mancini:** —and if we had decided to do nothing, I guess we could have run up the deficit by an extra \$2 billion, paid that money out in interest to the banks and then raised people’s income tax to pay for the interest. If we had decided to put the new tax on personal income tax, we could have raised the provincial personal income tax portion up to and over 60 per cent. I guess we could have followed those particular steps.

We have Mr Orsini here from the Ministry of Treasury and Economics and he may be able to help you.

**Mr Orsini:** My name is Stephen Orsini. I am with the taxation policy branch of the Ministry of Treasury and Economics. With regard to the changeover from OHIP premium revenue to employer health tax revenue, the net change in revenue is \$271 million on a full-year basis. That money is pumped back into the economy in terms of health care spending. In terms of all budget measures, they are included in the budget forecast and the forecast that the Ministry of Treasury and Economics issues with the fall economic statement. They include the entire package of initiatives. If you look at raising taxes, at the same time you have to look at the spending side and the economic spinoffs from that.

The group in our ministry that deals with that is the economic forecasting branch. From what they tell me, the impact, because the money is pumped back into the economy, is negligible.

**Mr Runciman:** Is negative, did you say?

**Mr Orsini:** Negligible.

**Mr Runciman:** So you are saying that in terms of wage settlements, inflation, job creation, this is really not going to have any meaningful impact.

**Mr Orsini:** The economic forecasting branch has basically taken that budget initiative with all the other budget initiatives, and that will be contained in the grey book forecast being released.

**Mr Runciman:** Which is being released—

**Mr Orsini:** With the budget as a whole. If you are looking at specifics, I cannot speak to the specifics—I am not in that branch—but I understand that because the money that is raised is pumped back into the economy, there is really no net change.

**Mr Runciman:** In theory anyway. I wonder if perhaps this is too specific for you as well: Have you taken a look at the sectors of the economy that will be hit hardest by the tax? I wonder if you could identify them. We have heard that labour-intensive and seasonal employers like tourism operators are going to be especially hard hit. Is that your conclusion as well?

**Mr Orsini:** The concept of a payroll tax has been under study for quite a while. The 1979 Ontario budget made reference to it as replacing OHIP premiums with a payroll tax and a 1982 study that was released with the budget also looked at all the various components of a payroll tax at two per cent. Employers with more employees will be paying more, but it all depends on the characteristics. One point I would like to draw attention to is that 70 per cent of OHIP premiums right now are paid by employers.

The other component is that it depends on their average payroll per employee. So they are paying OHIP now for their employees, and if they bring in a 1.95 per cent payroll tax, the break-even rate for someone paying family coverage is about \$36,600. If you are paying OHIP premiums for family coverage and your salary was below that, then you would be better off under the EHT than you would under paying OHIP premiums.

**Mr Runciman:** In the research material that was provided we also saw—and I think it was only dealing with one transfer payment recipient, universities—we see something like an increase of \$24 million. I am wondering if you have taken a look and done some sort of analysis with respect to all of the transfer payment recipients and what the impact is going to be. I am thinking of municipalities, school boards and hospitals, as well as colleges and universities. Have you done that kind of analysis?

**Mr Orsini:** With regard to the 15 June statement, I understand that those institutions that had already fixed their budgets, which would include January, February and March 1990, did not have the opportunity to accommodate the new tax, plus their funding is primarily controlled by the province in terms of grants or in terms of tuition fees. The Treasurer announced transitional assistance for them for the three months. The Treasurer did indicate in his 15 June statement that in allocations in subsequent years the issue of the employer health tax will be taken into consideration. I do not know right now where that decision lies, but it is under review, I understand.

**Mr Runciman:** “Taken into consideration”—we really do not know what that means. We will have to wait for the budget to find out, I guess.



**Mr Orsini:** That is correct.

**Mr Runciman:** How is this going to impact on charities? Have you done anything in that line, to see what it is going to cost charities across the province?

**Mr Orsini:** Again, the characteristics of the organization. If they are paying OHIP and they tend to pay lower wages, or if they have volunteers that they are not paying, that is out of the tax base. But the lower the wage they pay and the more they are paying in OHIP premiums, the less impact it would have on that organization. So you would have to look at each specific organization to determine the net change that will result.

**Mr Runciman:** So there are no concerns being expressed to Treasury or the Ministry of Revenue from any of the charitable organizations in the province with respect to the impact of this payroll tax on their operations?

**Mr Orsini:** Some of them would qualify for the transitional relief.

**Mr Runciman:** A few more minutes, Mr Chairman?

**The Chair:** Sure. We have a copy of the 1982 analysis, which does not reach a conclusion, but we will make copies and have that distributed for members and it may help with some of your questions.

**Mr Runciman:** I am not sure if everyone has this, but certainly there has been some publicity about it, and that is from the real estate industry and commission-based industries. Their contention is they are going to suffer unfairly. How do you respond to that? Are you familiar with that? What they are saying is that other companies are being taxed based on the payroll and not on gross revenues and they are on gross revenues, which they contend is going to present a significant burden.

**Mr Orsini:** We have met with the Ontario Real Estate Association and with the Toronto Real Estate Board and we still have ongoing discussions with them. What I understand of their concerns is that the commissions that they pay to their salespeople only are what will be subject to the employer health tax.

It is like any amount of remuneration paid to an employee. If you treat commissions any differently than you would wages, you would be, in a sense, encouraging employers to pay commissions and then you would find the tax base erode. As a result, you would have to offset that in other ways. It treats people who are paid in commissions the same way as someone who is paid in

salary and wages: the higher the commission income, the greater the employer health tax component. It is proportional. It treats all employers on a proportional basis.

**Mr Runciman:** I do not pretend to an expert in this area. Hopefully we will have witnesses from the real estate industry before the committee so that we can pursue that one a little further.

Minister, about the 230 new employees that are mentioned in this booklet that you provided, are they new employees, are they transfers within the civil service or are they—

**Hon Mr Mancini:** Deputy, do you want to answer that question, please?

**Mr Russell:** For the most part they will be new employees, although I imagine some of them actually might very well be transferring from the Ministry of Health.

**Mr Runciman:** But, in effect, this is a growth of the civil service by a further 230 bodies?

**Mr Russell:** Not in net terms. Pat, what is the number of reductions in your ministry?

**Ms Malcolmson:** Following the announcement of the Treasurer, the Ministry of Health declared 304 civil servants to be surplus and those individuals will have a notice period during which we are attempting to find them other employment in the government. This period will end on 15 May, and to this point in time half of those individuals have been placed in other jobs within the civil service or have chosen some other elements of the benefit package we made available to them.

**Mr Runciman:** Are most of those employees based in Kingston?

**Ms Malcolmson:** Of the 304, 164 are based in Kingston.

**Mr Runciman:** In effect, those are lost jobs to that municipality. They are not being replaced by the government in any other fashion in that municipality?

**Ms Malcolmson:** We have in fact at this point in time placed a large number of those individuals in the Kingston community, in other public service jobs in Kingston.

**Mr Runciman:** Newly created jobs or jobs that already existed?

**Ms Malcolmson:** Jobs that would have come forward and been advertised in the normal order of things, but in a surplus situation such jobs must be posted through the Human Resources Secretariat, which assigns individuals who are on the surplus list to those jobs if they are qualified.



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**Mr Runciman:** One final question: I am just curious about the Manitoba situation. The payroll is up to \$300,000 exempt, but effective 1 January they are elevating that to \$600,000. I was wondering, are you familiar with the rationale behind that change?

**Hon Mr Mancini:** No, we are not; at least I am not, anyway. There may be someone here who is, but I thought it would be helpful for members to see a couple of other similar systems in place. I think that illustrates very clearly, at least from my point of view, that if you give a complete exemption at either end of the scale, then someone in the middle is going to get clobbered, and that is basically what is happening in Manitoba. There is a group there in the middle that is being clobbered.

**Mr Runciman:** With the 4.5 per cent? Is that what you are talking about?

**Hon Mr Mancini:** Yes.

**Mr Runciman:** Personally, I would be interested, if it is possible, to determine what the Manitoba experience has been with the \$300,000 level, its impact on businesses and why they have raised it to \$600,000. That is what I am primarily concerned about. If they found indeed that it was having a negative impact on the operations of business expansion and so on, I think it would have some implications for this jurisdiction.

**Hon Mr Mancini:** But the less than one per cent rate that we are asking small business to pay is fair, I think.

**Mr Runciman:** I think I am making a reasonable request. I think it would be helpful if we could secure that information.

**The Chair:** We have made a note of that here.

**Hon Mr Mancini:** I think our staff could contact them and find out the rationale for the change. The problem is gathering whatever information is available. He may have problems trying to guess why a separate jurisdiction has decided to initiate changes in its tax policy, I guess the best we could do is to guess and maybe we would not want to guess; but as far as hard data are concerned, whatever hard data we can make available to you and members of the committee, that is not a problem.

**The Chair:** In the case of the question, I think our research people can get the report from Manitoba and save your ministry the effort.

**Hon Mr Mancini:** I think the deputy would like to comment.

**Mr Russell:** I think in doing that you would have to take some account of other taxes in Manitoba. Generally taxes in Manitoba are higher than they are in Ontario. I suspect that was an adjustment in recognition of some of those broader effects.

**The Chair:** We will worry about the interpretation when we get the information.

**Mr Ferraro:** Thank you for the presentation. I have a couple of questions. Specifically, with regard to the costs, where you indicate essentially six offices throughout the province, are these new offices?

**Mr Russell:** They are new in the sense that they are literally for the EHT. Physically, they may or may not be. We do have other offices across the province, although generally they are sized at the moment for those functions, the most important at the moment being retail sales tax offices.

We do have some possibilities and certainly longer-run intentions to bring these together. In other words, for a short period of time the EHT offices might be set up in separate locations, but eventually they will be merged, the reason being of course, as was already explained, that we believe we do need regional distribution to provide the sort of backup and customer services we need to provide to people.

**Mr Ferraro:** Obviously most people would agree, at least initially. There may be a lot of confusion, so that type of service is appreciated, but it is also nice to know from a taxpayer's standpoint that there may be some consolidation and, I guess, economization, if you will, of revenues.

**Mr Russell:** Absolutely.

**Hon Mr Mancini:** We do have some bottom lines there as far as costs are concerned. You may have noted—

**Mr Ferraro:** I have.

**Hon Mr Mancini:** —the one per cent.

**Mr Ferraro:** That is very good; but having said that, we are as well always looking to chop where we can.

**Hon Mr Mancini:** Exactly.

**Mr Ferraro:** May I ask whether you or somebody from Health knows—the annual operating costs of \$19 million at maturity include 230 staff—whether there would be any significant reduction or any reduction from the OHIP people working in the Ministry of Health now?

**Hon Mr Mancini:** We will bring the person from the Ministry of Health up.

**Ms Malcolmson:** At this point, that is difficult but I would say, in terms of salaries and wages, we are talking about—I cannot do my arithmetic quickly enough—a surplus of people who are roughly earning something in the region of \$26,000 per annum. As I have indicated, 304 such individuals have been declared surplus.

There would be as well a certain proportion of the ongoing other operating costs of the Ministry of Health that would be affected by this. At this point in time, we are not sure what that would be because we really have to look at to what extent such things as inquiries will go down with the elimination of premiums, forms use will alter, all that sort of thing. I would prefer not to give a number because it would be nothing more than a guess at this point in time.

**Mr Ferraro:** I apologize. You indicated previously that there was a surplus of 304. If I am redundant in this question, you can stop me too, but of those 304, is it likely that some of them will be the 230?

**Ms Malcolmson:** It is certainly possible, if they are individuals who are in the correct location and have skills that could be matched to those of the requirements in the Ministry of Revenue. But as I said, meanwhile we actually have reduced that surplus list by half already, by other placements and so forth. We are going to continue along that line with the Ministry of Revenue and other ministries in the government helping us out in placing our staff.

**Mr Ferraro:** The second question I have is getting back to a question that was prompted by Mr Morin-Strom and indeed by some of my constituents. That is dealing with the definition of employer and the distinction for self-employed. Is there a basic definition of self-employed from the standpoint of the Ministry of Revenue?

**Mr Lawrie:** Yes, in one of the slides earlier. The definition we are using is exactly the same as the federal definition contained in the CPP/unemployment insurance guide.

**Mr Ferraro:** Is it a long drawn-out one or can you relate it to me?

**Mr Lawrie:** No. I do not have it with me, but there is a cross-reference to it. I think you will find it—

**Mr Ferraro:** I can look that up later.

For my benefit, because this one has been confusing, I can give you a couple of examples and maybe you can clarify this for me. Let's take this hypothetically. As I understand it, a small businessperson who has 10 employees, irrespec-

tive of the gross the determination is based on, whatever the scale is—the point I am trying to get at is that person employs 10 people. That person will pay on the gross annual payroll of 10 people or the 10 people plus the owner?

**Hon Mr Mancini:** If the owner is taking a salary; that is part of the remuneration so that will also be in the calculations.

**Mr Ferraro:** In other words, I am paying on 11 people if I am that small businessperson.

**Hon Mr Mancini:** If he is taking a salary.

**Mr Lawrie:** It depends upon if the owner is incorporated. He is also—

**Mr Ferraro:** That is the point. That was my second question, as opposed to a sole proprietorship.

**Mr Lawrie:** Yes. If he is incorporated and he is an employee of the corporation, the corporation is the employer and, in effect, the EHT would be paid on total payroll, including owner-manager. If he is self-employed—in other words, not incorporated—no. Any drawings that he takes from the business would not be included in the tax base for EHT because he is classified as self-employed for tax purposes.

**Mr Ferraro:** Making the assumption that there are different reasons for people to incorporate as opposed to being a sole proprietorship, why should there be a distinction?

**Mr Lawrie:** In what sense?

**Mr Ferraro:** From the standpoint of if I am a sole proprietorship and I have 10 employees, then I am going to pay the tax on the basis of my 10 employees plus myself, assuming I am drawing a salary. If I am incorporated—essentially still self-employed—because I want to get away from the risk factor, if you will, bank liability, I am going to pay employer's tax on the basis of my 10 employees—

**Mr Lawrie:** Plus your own salary.

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**Mr Ferraro:** Plus myself.

**Mr Lawrie:** Yes. The answer lies in the definition of employment income in sections 5, 6 and 7 of the federal Income Tax Act. Our definition is tied in directly to that and it does not include self-employment income. That is the technical explanation. The tax policy theory behind it is something else.

**Mr Ferraro:** Let me get another example here, to further confuse me. Let's assume I was left a lot of land and now I am a developer, essentially self-employed, and I sell off a parcel of land and that is where I draw my income from.



Am I exempt from paying the EHT, mindful of the fact that I have to pay income tax?

**Mr Lawrie:** Yes, because the profits on your land trading would not be classified as income from employment.

**Mr Ferraro:** It would not be classified as—

**Mr Lawrie:** Income from employment. It would be income from a business, the business of land development or speculation on land or land trading.

**Mr Ferraro:** Why is that any different from someone who is self-employed? I consider that investment income. If I was in business, incorporated, I invest money in a business and draw my livelihood from that. Why is that any different? Am I making any sense? I am trying to figure out why someone who has an investment in land, for example, to use that, is exempt from paying as opposed to someone who invests in a business.

**Mr Lawrie:** All I can say is that the tax is based on employment income paid by employers. Profits on land investment income are not part of the tax base of the tax because they are not included in the definition of employment income in sections 5, 6 and 7 of the federal Income Tax Act.

**Mr Ferraro:** Okay.

**The Chair:** Did you clear that up in your mind?

**Mr Ferraro:** No, but I will probably come back to it.

**Mr Mackenzie:** I was out for a while and if this question—I think it continues on from some of the discussion we have had—has been asked, then I apologize, but I want you to tell me why there are not at least two major unfairnesses in this legislation. One is that the tax is oriented to labour. A business that is labour-intensive may very well be marginal. It may not, but if it is labour-intensive it is going to be carrying a heavier load of the cost than a high-tech, highly automated, highly profitable, low-wage industry in the province. That, it seems to me, when you are orienting it to labour-intensive industries, is a fundamental flaw in the legislation.

Second is what we have just been discussing: An owner of a business, a small business, or a doctor or lawyer may pay for his secretary or his dental nurse, but if he is not incorporated and drawing his money out of the business otherwise—or even the speculation we are talking about, and you are dealing there in most cases with the most wealthy in society—he also is not going to be paying. It seems to me that unless you can tell me

that is fair, you have at least two fundamental problems with it right off the bat.

**Hon Mr Mancini:** I said earlier, Mr Mackenzie, that the one per cent increase in the income tax, which is a progressive tax, will make those persons whom you have noted, some of whom are in the high-income bracket, pay more through their particular income tax payments.

**Mr Mackenzie:** That is not an answer, surely, Minister.

**Hon Mr Mancini:** That is part of the answer, and I am going to ask Mr Orsini to do deal with the other point that you raised.

**Mr Orsini:** With regard to your first question, on the effects on certain types of firms with different labour intensities, I should point out that the Treasurer announced in his budget that some employers pay OHIP for their employees, some do not. That is not fair. There is an inequity there. The employer health tax would be financing 16 per cent of health care costs. So employers are not being asked to finance all of health care, just a portion of it related to their labour. Firms that rely on labour more, one could argue that they should be paying more, but it is sensitive to the level of remuneration paid on average. So if an employer tends to pay lower wages, the tax is sensitive to that and it is fair in the sense that it is proportional to—

**Mr Mackenzie:** Is it not fact that probably in a majority of cases labour-intensive industries tend not to be necessarily the most profitable industries? And just because there is an unfairness now does not make this fair.

**Hon Mr Mancini:** It is not a tax on profit; it is a tax on remuneration that is paid by employers. When the New Democratic Party government in Manitoba introduced a similar scheme to collect funds for health care, it basically did what we are doing. They excluded the self-employed and they based their tax on wages that were paid by employers.

**Mr Mackenzie:** What happened in Manitoba does not necessarily influence what—

**Hon Mr Mancini:** The other thing that I think the committee seems to want to forget altogether is the relief that we are giving to literally thousands and thousands of people who had to pay premiums, people who paid their premiums directly for OHIP coverage—that was \$547 million—many of them low-income people. They have been relieved of that burden, \$547 million being returned directly to—

**Mr Mackenzie:** Nobody is arguing that point.



**Hon Mr Mancini:** Mr Chairman, the gentleman pointed out two points, in his view, which he felt made the bill unfair. I believe that I have a right to come before the committee and, while I am answering the gentleman's question, tell the committee why this piece of legislation is in fact fair and what good it is able to do for the people and for the economy as a whole. When we can return \$547 million to people who directly paid OHIP premiums, I think that is something important. It has to go on the record. Furthermore, between federal and provincial income tax saved, because OHIP premiums were a taxable benefit, we are returning to the people of Ontario a further \$445 million. We are returning to the economy nearly \$1 billion. Never in the history of Ontario has that ever been done before. Throughout the entire province there will be a benefit of nearly \$1 billion. I hope that is also taken into consideration when we judge whether or not the bill is fair or unfair.

**Mr Mackenzie:** I appreciate and my party appreciates immensely the fact that you have eliminated premiums. We applaud you for that. It is something that we have been after for a long, long time. There is no difficulty with that at all, but you could have answered the question very simply by saying no, the issue I have raised with you is not unfair. That is what I was wondering. You do not think it is unfair that a labour-intensive industry is going to get hit much harder than a very profitable non-labour-intensive industry and you do not think it is unfair that doctors, lawyers or small businessmen can get away without paying anything at all. That is all I wanted to know. If you do not think that is unfair, fine.

**Hon Mr Mancini:** I did not say they were getting away without paying anything at all. You have said that. I did not say that at all. I said the personal income tax is going up one per cent because these people you are speaking about have more personal income. Because the personal income tax is a progressive system, they will in fact pay more. That is a reality.

**Mr Mackenzie:** If they do not take advantage of some of the write-offs.

**Mr Orsini:** There is just one point I would like to make when you compare two types of industries. One might be capital-intensive and one might be labour-intensive. There are different taxes that affect them. The material that these firms rely upon would be subject to capital tax, other input taxes, sales taxes, excise taxes that a labour-intensive firm, a personal service firm would not be paying, and if you are going to

compare taxes you might want to look at the total tax burden.

**Mr Mackenzie:** Look at Alcan—no taxes for the last seven or eight years, fast write-offs and a number of others. It is a pretty hard argument to sell, I think.

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**Mrs Cunningham:** I would like to take this opportunity to have one of the questions looked at in some detail, so that I can understand the implications for the government in responding to some of the public institutions. I will use the hospitals themselves as an example, if I can get some responses. Currently, it is my understanding that the hospitals are paying the OHIP premiums for their employees.

**Hon Mr Mancini:** I think that is correct.

**Mrs Cunningham:** I am not sure it is correct. I have been told by a couple of the hospitals that they do, but I am not sure whether all of them do or whether they have different agreements across the province.

**Hon Mr Mancini:** Yes. As the deputy says, they tend to have the same unions and—

**Mrs Cunningham:** Okay, so basically the hospitals are paying.

**Hon Mr Mancini:** I think I can say that as a general statement. There may be situations where that may not be the case, but I think generally we can say that without saying it is the case in all circumstances.

**Mrs Cunningham:** It seems to me that the hospitals have informed us that the liability for them will increase, I think, by almost double, from some \$40 million to \$80 million, if I am correct.

**Ms Malcolmson:** As far as the actual payment is concerned, we have, in the Ministry of Health, never inquired directly whether or not specific institutions or firms pay for their employees. We just know the general percentage across the board.

The difference from one place of employment to another, in terms of OHIP, is largely whether or not you have second wage earners whose OHIP would be covered through their spouse's place of employment. So that in the case of some of the sizeable number of employees in a hospital, they might have been exempt themselves from premium payment because the payment was occurring under the coverage of their spouse who was employed somewhere else. I think that is probably where you are getting the difference.

**Mrs Cunningham:** That would be so in hospitals. So the difference, if there is \$40 million required for that hospital or the hospitals, if we are looking at double the amount, would be—quite frankly it is the government which would be contributing that, at least in the short term—realized through transfer payments. Is that the intent of government?

**Mr Russell:** We will ask Steve, who talked about it. The Treasurer has announced that there will be \$23 million made available to cushion the effects here. Perhaps, Steve, you could tell us something about the reasoning behind that and how it might be worked through the system.

**Mr Orsini:** On 15 June—

**The Chair:** Sorry, we have the parliamentary assistant to that ministry. Did you want to make a response to that?

**Mr Reycraft:** In response to Mrs Cunningham, essentially the Treasurer announced some months ago that there would be an increase in transfer payments, totalling \$23 million, to cover the first quarter of the calendar year 1990, to hospitals, colleges and universities to deal with the problem that they were encountering because of the fact that their budget is on a calendar year.

**Mrs Cunningham:** I understand that, but the hospital portion—with just my quick math in my head—about \$10 million of that would be necessary for hospitals given that \$40 million is the number. Just to pursue it a bit further—that is fine—what is the intention in the long term, beginning with the new budget? Who is going to cover it then?

**Mr Reycraft:** There are considerations being made at the present time to determine what the transfer payments to various transfer agencies across the province will be. We expect that those will be announced some time before the end of November. In announcing the \$23-million payment, the Treasurer certainly indicated responsibility in principle to increase the funding to those transfer agencies as a result of the burden of the EHT.

**Mrs Cunningham:** Then in the long term there are two choices. We can recognize the lack of transfer payments, because of the increased costs to school boards, municipalities and hospitals, and give them that amount of money. Therefore, my question is: In the minister's statement that the net change is \$279 million net, what does that mean? Is that this year, is that in next year's fiscal year? What does it really mean? I am just writing down what I heard.

**Mr Reycraft:** Is that the difference between the revenue generated by OHIP premiums and the—

**Mrs Cunningham:** I have no idea; that is my question.

**Mr Reycraft:** —revenue generated by the EHT?

**Mrs Cunningham:** OHIP net change, \$279 million net, and I am trying to find out what it is, what it really means. That is what I want to know, what that means.

**Mr Orsini:** It is \$271 million, and that reflects the difference between the revenue into the consolidated revenue fund from OHIP premiums and the revenue into the consolidated revenue fund from the employer health tax. So that reflects the net changes on a full-year basis for 1989-90.

**Mrs Cunningham:** For 1989-90, being the end of March in the 1989-90 year, 31 March 1990?

**Mr Orsini:** Yes, 1990.

**Mrs Cunningham:** Okay. Then does that number take into consideration the flow that the Treasurer announced in the short term to cover the difference?

**Mr Orsini:** That is the transitional relief on the expenditure side. The \$271 million reflects revenue. They are two separate things.

**Mrs Cunningham:** So if we were taking a look at the taxpayers of this province and telling them the kind of money that they would have to spend on hospitals, with the \$271 million coming in on the 1988-89 year, if we were looking at real bucks and we had to hand the money back to the hospitals, we would have to take off \$40 million there, in the announcement. Is that correct?

**Hon Mr Mancini:** Mr Reycraft, what do you think? Is that correct?

**Mr Reycraft:** Sounds like tangled economics to me.

**Mrs Cunningham:** It is not tangled economics. I am looking at money for health care. I am trying to explain this—I have to go out as you do—and that is going to be one of the questions, \$271 million net. Great, wonderful, but how much did you have to give back to the school boards in the short term? It is \$40 million. I just want to know if the \$271 million includes the payback because of the short-term liability, because of the question, that is all.

**Hon Mr Mancini:** I am not sure that we can quite follow you, and I think that maybe when we give you your private briefing those things will

fall into line. I do not want to say so right now, but there may be some confusion as to how you are putting your numbers together.

**Mrs Cunningham:** No, I do not think there is any confusion in my numbers. These are numbers that were given to me and to my colleagues, and we just want to be able to explain it. Mr Chairman, if we could have the response to the question in a future meeting, I would appreciate that. It is on the record. I need—

**Hon Mr Mancini:** If we can understand the question, we will respond.

**Mrs Cunningham:** Okay. The question is this: If the net change, which is a positive change for the province of Ontario, given the collection of this new tax, is \$271 million, I would like to know, does that number include the amount of money that was paid back to the municipalities for the three-month period of time in the 1988-89 year that was stated by the Treasurer in the spring and a request by the municipalities, hospitals and whatnot as their immediate concern? That is all I need to know.

**Mr Ferraro:** Is it net or gross?

**Mrs Cunningham:** That is all. Is it \$271 million realized or, to be quite frank, \$231 million?

**The Chair:** I think the question is very clear.

**Mrs Cunningham:** I think it is clear. I do not want to be—

**Mr Russell:** The answer is no.

**Mrs Cunningham:** Okay. Then, in fairness, we should be saying \$231 million, at least to the best of our ability, given the information that we have got so far. Is that correct, Mr Chairman?

**The Chair:** Is the amount that was paid back \$40 million? I did not do terrifically in math in school, but I can subtract \$40 million from \$271 million and come up with \$231 million, most days.

**Mr Daigeler:** The point is that it is all consolidated revenue.

**Mrs Cunningham:** Oh no, we are looking at—

**The Chair:** Just a moment, please, Mrs Cunningham.

**Mrs Cunningham:** —a new tax system that we hope is going to improve the dollars flowing into the ministry and be fair at the same time. That is what we are—

Interjection.

**The Chair:** First of all, excuse me, I think it would be very helpful if we did not have four or five members chirping in with their interpretation

of the answer, with respect. If Mr Reycraft as parliamentary assistant has some information, I think we would like to hear it; otherwise I think we would like to hear from the minister and his staff.

**Hon Mr Mancini:** We are obligated to provide the best data available to this committee. Hansard has recorded Mrs Cunningham's question. Treasury and we ourselves will try our best to answer that question and we will be very forthright with the committee, I can assure you.

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**The Chair:** So you need some time to research the answer. Is that what you are saying?

**Hon Mr Mancini:** We need some time. We want to research the answer and will get back to you at a later date.

**The Chair:** Is that acceptable to you?

**Mrs Cunningham:** I appreciate that.

**Mr Russell:** To help us with that, I rather missed the explanation of the \$40 million.

**Mrs Cunningham:** I did, too. It was a number given out. I had not used that number. I was picking up from somebody else earlier.

**The Chair:** I thought it was \$23 million on the page.

**Mrs Cunningham:** Okay. That would be a fair number, if it is \$23 million. I am not trying to trick anybody; I just want to get the facts straight.

**Mr Russell:** All right.

**Mrs Cunningham:** I will tell you where it might—no, that is all right. I will not say any more; \$23 million is fine, no problem.

**The Chair:** In the briefing that was presented by the minister's staff this morning, the page is not numbered, but it is titled, "The Story So Far."

**Mrs Cunningham:** Right.

**The Chair:** It refers to \$23 million in assistance for provincially funded social and health organizations.

**Mrs Cunningham:** I am not trying to fudge it at all.

**Mr Russell:** We have got it here.

**The Chair:** So all we want to know is the \$271 million net of that figure?

**Mrs Cunningham:** Right, we need to know. By the way, I do not have to worry, but if anybody says "consolidated revenue fund" and it is all one big pot to me, I just will not buy into that. I am looking at a specific program, at gains, losses and fairness, so do not say it to me; I get very disturbed.



**The Chair:** It is like saying “entrepreneur” to the member for Scarborough West (Mr R. F. Johnston).

**Mrs Cunningham:** Well, my colleague the member for Middlesex is so annoyed with the federal government because it cannot get its numbers straight. We never want to have that accusation made of the provincial government of Ontario. I share his concerns in a nonpartisan way.

**The Chair:** Do you have any other questions?

**Mrs Cunningham:** I have three more questions.

**The Chair:** Okay. We would like to hear them.

**Mrs Cunningham:** The next question, I think I did ask it and I do not think I got a response, but I will ask it again so that I can get a response. If we have helped the hospitals and the school boards—and I am not quite sure what went into the \$23 million, but I think it was municipalities, hospitals, school boards; I could be wrong—in the short term, what is the intent of the government next year? If it is \$23 million for a quarter, I can multiply that by four. This is so simplistic, but it does make good sense. That comes up to \$92 million or something, and then we take that off. I really need to know the full year. I want to know that.

**Mr Russell:** I believe the Treasurer will be announcing the totality of his transfer payments, the conditions for his transfer payments, fairly shortly. That is commonly done before the budget, particularly because the municipalities are on a type of fiscal year different from the province. I think the answer to that has to be to await those dispositions.

**Mrs Cunningham:** Okay. Perhaps someone would like to respond to this. This is only to say that if in fact that is not going to happen and the municipalities, school boards or even hospitals are going to have to absorb this increase—because of their negotiated salaries, because all of the transfer payments were paid by the government in the past or because we have hospitals that did not have to pay this kind of tax, because a spouse was working or that kind of thing—then that is very clearly documented in my readings and in even more that was presented to me today in the discussion papers on this whole payroll tax, that in fact the employers will be passing on this cost to the employees over a period to time.

I think that is something the government has to recognize and that obviously the employees are recognizing and raising as a real concern in their

places of employment, so I think that I would like the government to respond to that at some time in the future because I will be pursuing it.

**Hon Mr Mancini:** The Treasury will respond to that.

**Mrs Cunningham:** Fine. I will be pursuing it; I am just putting you on notice.

The other one that I would like to pursue at some time is this issue of fairness. I suppose at a time when some of us have been looking at accountability of individuals when it comes to the provision of health care and the costs of health care, some of us, I think, from all parties participated, on a date in the not-too-distant past, on the use of smart cards around drugs. I think I am correct there. You are not nodding.

**The Chair:** I do not recall.

**Mrs Cunningham:** I am not sure if anybody here was, but we were looking at the opportunity, as far as possible, to help people recognize the importance of the individual costs in health care in this province, and I guess we talked about user awareness and accountability for oneself. In this instance, certainly this proposal or this new tax takes away, or does not help at least, to improve upon the user awareness of health care costs.

I should go on to say that when the minister was talking about—

**Hon Mr Mancini:** How is that, where does that—

**Mrs Cunningham:** I certainly do not want to give the impression that I have come to a conclusion in my own head on this one, but I think that many of us have talked about having actual billings in our pockets as we go to the doctor, how much we have cost the health care system individually and put some responsibility back on individuals. I will tell you it has been a great source of concern and debate as we go through the implications of the Bill 147 hearings where people are talking about responsibility on the individual for understanding what the cost of health care is all about.

There is some responsibility as employees come to the table and negotiate their portion of the OHIP premiums at this present time. There is no point in denying it. Certainly there is the responsibility on my son when he stopped being a student, got his first job and his father did not pay his OHIP any more and he had to pay it. He realized that there was a tremendous responsibility on his part. I would like to say that in all of the papers that I have—

**Hon Mr Mancini:** You are not suggesting it would be better to have an employee health levy instead of an employer health levy?

**Mrs Cunningham:** I am not suggesting anything; I am making a statement. At future times I would like to say that when one talked about individuals who could not afford to pay, it has certainly been brought to our attention that in this province and in the work that I have done there has been no one, to the best of my knowledge, denied health care based on his ability to pay. As a matter of fact, what it was missing was probably a scale on the OHIP premiums.

**Hon Mr Mancini:** You would prefer OHIP premiums, is that what you are telling us?

**Mrs Cunningham:** I am not saying what I prefer. I am talking about the problem of what we are facing and how we address this part, and it may well be addressed as part of this government's new proposal. I am raising a concern and I am sending it to the minister as a challenge. When someone comes back and asks, "Where is the user awareness in this proposal?" perhaps the minister could think of a way of responding to it as opposed to asking me what I believe. I will certainly be speaking to that down the road after I get all my questions answered.

But the point of the meeting today, I think, is to raise our concerns and to be prepared, over a period of time, to have our questions answered. If I am asked that question, "Has the user awareness of health care costs have been built into this proposal?" there may be a response. I do not know what the government's response is. That is why you are here. If you cannot answer it, then be prepared to answer it in the future, that is all. It is not a debate. It is a matter of getting a response from the government.

**Hon Mr Mancini:** I can answer it very clearly. We are abolishing OHIP premiums, and if some individuals thought that was a way to impress upon individuals in the province that health care costs money, it certainly is not an adequate system for me. To propose possibly staggering a rate or a staging rate for different OHIP premiums so that individuals understand that health care in fact costs tax dollars is not something I want to be a party to. I think I can answer that question right away. The answer is no to both.

**The Chair:** It is now 12 o'clock.

**Mrs Cunningham:** I will finish that just by quoting from the Taylor committee, which supported the retention of premiums. They recommended, "That direct individual financial participation be maintained to improve user awareness of health care costs which permeated

all of the deliberations around funding the health care system"—user awareness. Quite frankly, the minister did not respond to my concern at all. I think it has permeated all former discussions. He has obviously thought about it, and to say that he does not have a response with this particular proposal does not help his cause at all.

**Hon Mr Mancini:** The answer is no and the answer is very clear. The answer is—

**Mrs Cunningham:** That user awareness was not part of it?

**The Chair:** You have asked your question. In fairness, let the minister answer.

**Mrs Cunningham:** All right.

**Hon Mr Mancini:** The answer is very clear. The answer is no, OHIP premiums are not a fair way to indicate to the general public that health care costs tax dollars. No, that is the answer.

**Mrs Cunningham:** That was not a response to my question at all.

**The Chair:** Mrs Cunningham, do you have any other questions?

**Mrs Cunningham:** I do, but obviously we have run out of time, so we will ask them later.

**The Chair:** Is it the wish of the committee that we carry on with this session this afternoon or should we move to the commercial concentration tax?

**Mr Haggerty:** I share her concerns, but I think there is a way that she can get the message across to her constituents, and every member can. We have free mailing almost every quarter. If she is concerned that much, then she should send it out in her newsletter to her constituents and inform them about her concerns about health care. It may raise some interest with her constituents.

**The Chair:** I am looking for any additional questions. Mr Ferraro, you have one?

**Mr Ferraro:** No question; I have a suggestion.

**The Chair:** What is your suggestion? I hope it is not a suggestion to Mrs Cunningham.

**Mr Ferraro:** No. I was going to suggest, vis-à-vis the committee's agenda for this afternoon, if acceptable, it might be appropriate, because of the time constraints, to have the presentation on the commercial concentration tax and then open it up for questions on either subject.

**The Chair:** The only difficulty there is we have two sets of staff and I think that might pose some difficulties. The original hope and intent—since we are also going into some lengthy



hearings, we also have some difficulties. The House leaders, subject to ratification in the House this afternoon, have approved some additional hearing opportunities for us, but there are also scheduling difficulties with Mrs Cunningham that we have to discuss. In any event, we will have a substantial amount of time for questions, answers, etc., at the hearings stage. So I would like to suggest that we move to the CCT this afternoon, if that is agreeable to committee members, for the briefing portion, as was originally agreed.

**Mr Daigeler:** Forward those either to the minister or to myself and we would be pleased to answer those.

**The Chair:** Are we agreed we are going to go to the commercial concentration tax this afternoon?

**Mrs Cunningham:** I am not interested in keeping the staff here for the sake of two or three more questions that may take 10 minutes. That would not be to the benefit of anyone. I am interested in getting my questions answered in the appropriate arena, and if this is it, perhaps the minister would agree to come back at a future time, if necessary, for a few minutes. If we have four or five more days on this—I am not sure, I do not want to get anybody excited, but maybe four or three, whatever—surely if there are some questions from any committee members, the staff can handle it. If they cannot handle it, I am not interested in wasting anybody's time as long as we get the correct responses to my questions.

**The Chair:** Have your questions been put on the floor or do you have additional questions?

**Mrs Cunningham:** I have said I have two additional questions, and I do.

**Mr Ferraro:** I am sorry to prolong this. I only made that suggestion on the basis of my assumption that we had not told the staff that we would be necessarily finished with one subject in the morning and that the other one would be taken on in the afternoon. My understanding was that they were coming for the day and we were going to deal with both subjects.

**The Chair:** I would like to have the questions. We can either carry on for another few moments right now, which might be the appropriate thing to do if we have unanimous consent to do that. Do we?

**Mrs Cunningham:** I will try to be quick.

**The Chair:** Let's try that. Do we have unanimous consent?

**Hon Mr Mancini:** Two more questions?

**The Chair:** Two more questions, and it would be helpful if they were limited to questions. Mrs Cunningham, not to attempt to muzzle you or anyone, but there will be ample opportunity for debate. What I think we would like is questions and answers, if that is possible.

**Mrs Cunningham:** Okay. It has to do with the economic impact assessment. I am wondering if, at least where they have been able to get clear numbers when it comes to public institutions, school boards, municipalities and hospitals, if they have taken a look, in the interests of both the minister and the Treasurer, at the likelihood that the employees will bear more of the responsibility for paying either their share of OHIP or possibly having lower salary settlements. It is all government, it is all public institutions, it is all our tax dollars over a period of time. Was that looked at at all?

**Hon Mr Mancini:** The answer to that is that the new employer health levy, which is a tax on employers, not employees, will bring in about \$2.1 billion net to the province. Health care financing this year for Ontario, if I am correct, is in the range of \$14 billion. Of course employees, like everyone else in the province, through their income tax remittance, sales tax remittance and other taxes that we impose, will fortify the Treasury for the rest of the expenditures.

**Mrs Cunningham:** That is fine. I asked if some economic impact assessment had been done in that particular area, and I think the answer is probably no.

With regard to the disturbances to small business, my question is this: It seems to me that some 50 per cent of small businesses now—and I may be wrong; I am sure you have looked into this—are not paying any OHIP premiums on behalf of their employees. Is that correct?

**Hon Mr Mancini:** That could be correct. Yes, it could be.

**Mrs Cunningham:** I am just wondering if you looked into it when you brought the tax forward. Did anybody look at that?

**Hon Mr Mancini:** Steve, do you have any figures on that?

**Mr Orsini:** There have been a number of studies done that tried to estimate the contributions by all types of businesses in terms of paying OHIP premiums for their employees. In some of the studies referred to earlier, the Ministry of Industry, Trade and Tourism found that around 50 per cent of small businesses pay part or all of OHIP premiums. The point, though, that those studies have overlooked is that the owner would



be paying OHIP premiums for himself and that the break-even rate for someone who is paying OHIP premiums for himself outside the business environment is about \$93,000. So if they have a payroll in the order of about \$93,000, they would break even between not paying any OHIP for their employees and now paying the EHT. The number of employees per that amount of money would vary, but quite a few small businesses would benefit. The lower rates provide a substantial benefit for the very small firm.

**Mrs Cunningham:** Well—

**Hon Mr Mancini:** Are we on our third question now?

**Mrs Cunningham:** No, I was just asking. I would like to respond to that, but I will not take the time right now.

The other one is, has anyone looked at the results—that is, employees contributing via their wage settlements; obviously it is the only other place you can get any money if you are in business—and therefore ultimately the response all the way down to the consumer? Has anybody gone that far to take a look at what this really means in any small portion of the business community? Where does the consumer come in? Did you go that far in your look?

**Hon Mr Mancini:** The consumer comes in by being able to have a health care system that is fully funded.

**Mrs Cunningham:** No, I am talking about the impact on the cost of the product.

**Hon Mr Mancini:** We need \$14 billion to fund the health care budget. That is a fact.

**Mrs Cunningham:** Okay, the response is no, it has not been looked at.

**The Chair:** There is a report that I have—and I understand there may be one even later—on the small business advocacy. We have the small business advocate here, Mr Carrothers. This is the 1987 report. I understand there is a 1988, but I am not sure. Perhaps Doug could see if that is possible, because it does deal with employer-paid OHIP and the various categories and perhaps would answer many of your questions. Could we ask Mr Carrothers's indulgence to check with his staff, to get us the latest report from the small business advocacy? It clearly deals with employer-paid OHIP.

**Mrs Cunningham:** That would be great. I know, because I have looked at a number of studies, that they talk about shifting occurring to a lower rate of wages and as well—it is called a backward shifting—through product price increases. That is what I was getting at. With due

respect, we are looking at a major change here and it would be nice to know that the minister and his staff have taken a look at some of the impacts of this kind of thing so that we can clearly understand what we are getting into.

That is all that my questions mean today and so far I have had “no” to both of them. Surely there has been a small sector of the business community that could have been analysed, for all of our sakes, to give credibility to this long-term supposed increase in money coming to the Treasury of this OHIP, at the same time taking away the individual awareness through paying yourselves, which is a big one.

**Mr Haggerty:** May I suggest to the member she should read this document, Ontario's Tax Structure: Options for Change: A Discussion Paper. This was done by the previous government. It talks about Woods Gordon, which made a report in this particular area that you are concerned about.

**Mrs Cunningham:** Yes, I am aware of it.

**The Chair:** It is 1982, but it is—

**Mrs Cunningham:** It is an old one. They are about four cents and all of them say the same thing and that is that the product will go up in price. If you can find something else, let me know about it.

**The Chair:** I think the small business advocacy report would be helpful as well. We will ensure that there are copies of either this one or a later one distributed.

Interjection.

**The Chair:** Okay. Then we will go with the 1987 one for now and, as it is updated, we will go with the new one. Is there any other business to come before the chair before we recess?

**Hon Mr Mancini:** I just want to say, Mr Chairman, that we provide answers. Some members may not like the answers—

**The Chair:** That is true.

**Hon Mr Mancini:** —but to interpret our answers as nonanswers is not correct.

**Mrs Cunningham:** The public can decide that.

**Hon Mr Mancini:** I do not want to be critical of anyone, but I want to be very clear. We will provide answers to the committee members.

**The Chair:** Thank you. This afternoon, we will be dealing with An Act to establish a Commercial Concentration Tax. We stand recessed until following routine proceedings.

The committee recessed at 1214.

## AFTERNOON SITTING

The committee resumed at 1557 in room 151.

**COMMERCIAL CONCENTRATION  
TAX ACT, 1989**  
(continued)

**EMPLOYER HEALTH TAX ACT, 1989**  
(continued)

Consideration of Bill 46, An Act to establish a Commercial Concentration Tax, and Bill 47, An Act to impose a Tax on Employers for the purpose of providing for Health Care and to revise the requirements respecting the payment of Premiums under the Health Insurance Act.

**The Chair:** I would like to call to order the afternoon session of the standing committee on finance and economic affairs where we will be enjoying a briefing and entertaining questions by members on Bill 46, which is An Act to establish a Commercial Concentration Tax. We have the Honourable Remo Mancini, Minister of Revenue, who will, I believe, make some opening remarks and introduce his staff and then we have a presentation to follow.

**Hon Mr Mancini:** Mr Chairman, thank you, and if it is all right with yourself and the committee members, we will follow the same format this afternoon which we thought was quite successful this morning. I will present to yourself and to all the committee members a short opening statement and we have staff here who are prepared, through the use of a slide presentation, to indicate to you what the Commercial Concentration Act is all about, how it works and other bits of information that you may need.

Bill 46, An Act to establish a Commercial Concentration Tax, is intended to implement an initiative contained in the budget of the Treasurer (Mr R. F. Nixon) of 17 May 1989. This is to require large commercial structures and commercial parking lots and garages within the greater Toronto area to pay a commercial concentration tax. The greater Toronto area includes the regions of Durham, York, Halton and Peel and the municipality of Metropolitan Toronto. Large commercial properties within this area receive significant benefits from provincial expenditures on roads, transportation systems and other services.

To be able to maintain, update and improve this transportation network, including public transit and highways, additional revenues are required. It is only fair that these revenues should

be obtained not from the individual taxpayer but from the corporate sector, from the businesses that reap the greatest benefits from the provincial expenditures on these essential support services. The additional revenues will be used to ensure continued ready access for customers and suppliers to these businesses, specifically for improvements, expansion and accelerated construction of Highways 401, 403, 407, 410 and the Queen Elizabeth Way and an expansion of the GO Transit service to Milton, Georgetown, Richmond Hill, Stouffville and Oshawa.

As the Treasurer mentioned in the budget, the government has committed \$2 billion over five years to fund this new transportation capital program. To help pay for this program, owners of large commercial properties, such as shopping centres and offices, as well as commercial parking lots and garages will pay a total of \$10.75 per square metre, or approximately \$1 per square foot. While the tax will apply to the full area of parking facilities, the first 18,600 square metres or 200,000 square feet of commercial structures will be exempt.

The types of properties that will be liable for the commercial concentration tax include stores, shopping centres, offices, restaurants, hotels and arenas. Excluded from the tax will be residential and industrial properties, warehouses, trucking depots, research and development facilities and property that is exempt from both local and school taxes.

The members will understand that this list of tax-exempt properties clearly shows that there is no intent to burden any sector of the economy with this tax other than that sector which can be clearly demonstrated to contribute to the greatest impact on the economic infrastructure of the greater Toronto area.

As well, in recognition of the essential services which shopping plazas and other commercial properties provide to the residents of the greater Toronto area, this tax is not levied on parking associated with these commercial properties unless it is public access, fee-paid parking. It is appropriate, however, that the tax is levied on commercial parking facilities, which are often heavily used by commuters. This will also help offset the financial pressures which result from maintaining the surface transportation network within the greater Toronto area.

The members will be pleased that the administration of the commercial concentration tax will



not entail a significant expenditure to this government, since my ministry already has a computer-based inventory of all properties liable for this new tax. This inventory includes such relevant information as the name of the owner, property location and description and property size. With this existing database, the commercial concentration tax will be one of the least costly taxes to implement.

As members are aware, my ministry is also responsible for the billing and collection of taxes, and the existing framework can readily assimilate this new tax. We will bill in two equal instalments, due and payable 1 February and 1 October each year, commencing in 1990. We have also approved in-year adjustments of the tax, including additional taxes for newly constructed buildings and reductions for demolished buildings.

In summary, I fully believe that the commercial concentration tax is a fair way for those who benefit significantly and directly from the provision of a new public infrastructure to make a major and necessary contribution towards its cost. A few minor technical amendments to Bill 46 are required. We will go over them in detail during clause-by-clause.

I would like to again introduce to you my deputy minister, Mr Russell, who will introduce members of the staff who will make a brief presentation. We will be pleased to answer any and all questions during the course of this afternoon.

**Mr Russell:** With me on my right is Jack Lettner, who is the assistant deputy minister in charge of the property assessment program in the ministry. With us also is Carl Isenburg, who is in Mr Lettner's division and will be giving us the initial presentation today. We also have with us a colleague from Treasury, Don Black.

I might mention, while Carl is coming to start his presentation, that copies of the presentation are contained in the kits that I believe are now being distributed to the members. There is various additional information in those folders which we might refer to as we go along.

**Mr Isenburg:** I am Carl Isenburg, senior manager with the special properties branch of the Ministry of Revenue in the assessment program.

As outlined in the opening remarks, the commercial concentration tax, or CCT as it is referred to, was introduced in the Treasurer's May 1989 budget. The CCT is intended to raise the revenue from commercial properties to help fund the infrastructure improvement in the greater Toronto area. You heard in the opening

remarks that this includes the municipality of Metropolitan Toronto and the regional municipalities of Durham, York, Halton and Peel. To give you an idea of exactly what that covers in more definitive terms, we are talking about Bowmanville, Newcastle in the east to Burlington in the west and Newmarket to the north.

This tax is specifically directed towards the owners of large commercial properties and all commercial parking lots, including parking lots owned by GTA municipalities. The rate for this tax is \$10.75 per square metre, an equivalent of approximately \$1 per square foot, on all commercial structures over 18,600 square metres; again, approximately 200,000 square feet. This same rate of \$10.75 per square metre is applied to the total area of every commercial parking lot. We will break the commercial parking lot down a little later on the slides.

Bill 46 was introduced and applies only to the areas of commercial properties which exceed 18,600 square metres. In other words, the first 200,000 square feet are a threshold exemption that has been granted. The CCT does not apply to all parking lots, only to fee-paid parking.

To expand on the taxable properties, fee-paid parking lots and garages must also be open to the public. Therefore, free parking lots, such as you would find in shopping centres, are excluded. Parking areas and lots designated exclusively for employee parking are excluded as well as those areas that are restricted to tenant parking. However, what is included are those parking lots operated by the municipalities; this includes local municipalities, the Toronto Transit Commission and GO. The commercial structures which are identified are shopping centres, offices, hotels, arenas, assembly halls, stores, restaurants and additional prescribed categories, or any combination of those types of uses. For example, shopping centres may have two or three of these types of uses.

There are provisions for exemptions under Bill 46. The first exemption is that the first 200,000 square feet are exempted on all commercial properties. There is a total exemption for residential and industrial properties. There has been some discussion recently with respect to the taxing of residential condos. They are not intended, and have not been intended, to be taxed. Further exemptions exist for racetracks, trucking depots, warehouses and research and development facilities.

Properties are also exempt from this tax if they are exempt from property taxes and school taxes under other statutes. These may be private acts,



special acts or the Assessment Act. An example of the types of properties that may be exempt are municipally owned property—except for parking lots—provincial properties, federal, hospitals, universities and other private-type properties. There is also provision for additional prescribed properties.

The original tax yield projected in the May budget was approximately \$125 million. However, between the budget and the production of Bill 46 there have been several changes. Among them are the exemptions granted to parking lots—the original intention had been to look at all parking and associated parking—and the 200,000-square-foot threshold exemption, which have now produced an adjustment to that \$125 million. The indicated projected yield rate or anticipated tax rate is approximately \$115 million.

#### 1610

The chart you have before you now deals with a breakdown of the seven regions and breaks out for you the \$115 million, or \$114,825,000. Please notice that 875 properties currently are identified as being liable to the tax, with 538 of those in the city of Toronto alone. There are approximately 635 parking lots, Toronto again having 429, and a total of 240 improved or commercial buildings, Toronto at 109 properties. If you go to the right-hand side, you will also notice that the projected tax for Toronto is \$67.5 million out of the \$114.8 million, and in the Metro area alone it is \$99.6 million out of the \$114.8 million.

With respect to the administration of this CCT, it will be administered by the Ministry of Revenue. The property assessment program will identify all the properties liable to the tax, compute the assessment and issue assessment notices. The revenue and grants program will be responsible for the tax billing and the collection.

The assessment program, which presently is doing all the field work, has completed the assessment notices, which we anticipate will be mailed after the legislation had been passed. The normal circumstances dictate that we will be mailing those on the second Tuesday of October each year. There is a provision in Bill 46 where the minister may delay the release of the assessment notices, and this will be required this year.

There is provision to provide for appeal in disputes which is very similar to that found currently within the Assessment Act. After the notices have been mailed, there is a 15-day period where corrections can be made and an

amended notice can be issued. We anticipate that this will be a time so that we can make amendments and produce amended notices and therefore preclude the requirement to go through the appeal procedure for those property owners who feel that we have produced incorrect records or if there are errors found within their notice. After 15 days, however, the only recourse to any amendments would be the appeal process, and they may proceed through to the Assessment Review Board.

The next step in the appeal process would be to appeal any decision of the Assessment Review Board to the Ontario Municipal Board. This is the upper limit where the amount of the assessment is argued. It is the final settlement at this level as to whether the square footage and so on is correct.

Disputes over whether a property is liable for the tax are to be resolved by the Supreme Court or district court. These may be issues with respect to definition, exemptions, etc. From there, it follows the normal procedure right through to the higher courts.

As stated in the opening remarks, there are a number of amendments to be introduced addressing minor administrative issues. The assessment notices for the CCT will be mailed as soon as this legislation is passed. The tax bills will be issued on or before 1 January 1990, under the current provision within Bill 46. The taxes are payable in two instalments. The first is due on 1 February and the second is due on 1 October 1990.

**The Chair:** Minister, do you have any additional comments at this time?

**Hon Mr Mancini:** No. We are going to leave the rest of the time for the committee members.

**Mr Morin-Strom:** First, a point of confusion. This package has a set of amendments in it on white.

**Hon Mr Mancini:** Yes.

**Mr Morin-Strom:** This morning we got a package of government amendments which appear to be for the same bill. They do not seem to be the same set of amendments. Should one precede the other, or are there two separate packages? What is going on?

**Hon Mr Mancini:** Just a second. We will get that answer right away.

**The Chair:** What you got this morning was from the clerk's department.

**Mr Lettner:** The amendments that are in the package are the amendments that we propose. The previous amendments have been changed.

**Mr Morin-Strom:** So the ones that have been officially filed with the clerk at this point are going to be withdrawn and you will be filing a new set of amendments with the clerk.

**Mr Lettner:** That is correct.

**Hon Mr Mancini:** You have them.

**Mr Lettner:** There are very minor changes in them.

**Mr Morin-Strom:** Can you tell us what substantive changes there might be in the amendments? Presumably a lot of them are technical or whatever, but are there changes of substance?

**Hon Mr Mancini:** Two that come to mind are the number of years for prosecution. We had originally thought we should be able to go eight years. We have our lawyer with us who can help us.

**Mr Sholtack:** My name is Gerry Sholtack. I am the legal director. The only change that we are making is that the authority to prescribe additional classes of commercial property will be changed from the minister to the Lieutenant Governor in Council.

Pursuant to that, the authority to prescribe additional classes of commercial property is given to the Lieutenant Governor in Council. The authority to exempt specific properties is also given to the Lieutenant Governor in Council. The authority given to the minister to prescribe classes is deleted. Those are the changes.

**Hon Mr Mancini:** Which means that I bring everything to cabinet for an order in council. That is basically what it means.

The other thing that the deputy mentioned to me is that the package that you got today describes not only the amendment but also the reasons for the amendment. We did that in order to help the members understand why we were doing some of these things. I do not think it is customary, but I thought it would be a good idea.

**Mr Morin-Strom:** There has been considerable objection raised to the whole principle behind this legislation, particularly, of course, from people in the Metropolitan Toronto area. Why is it that you have decided to set the precedent of applying a bill in a fashion that now, I think for the first time, applies a tax explicitly to just one limited geographical area of the province?

**Hon Mr Mancini:** First of all, I do not believe that is quite correct. Being from the north, you know already that there are certain preferential tax benefits that are given. One that comes to mind is the cheaper licence fee for vehicles. So I

do not think your description of the situation is accurate.

The other thing that I want to point out, and I tried to stress it in my opening statement, is that this revenue that we intend to raise is going to be used in the greater Toronto area to renew, to upgrade and to expand the infrastructure that is needed for this decade and the decades in the future. If you will allow me, I think it might be a good idea if I just take a moment and maybe enunciate in detail some of the things that are happening and will be happening because of the revenue that will be generated from this new tax.

1620

**Mr Morin-Strom:** Is this an excuse—

**The Chair:** Do you want the information? Yes or no.

**Mr Morin-Strom:** It sounded like you were done.

**The Chair:** Do you have additional information you want to provide?

**Mr Morin-Strom:** Sure, let's—

**The Chair:** I think the minister should be allowed to carry on.

**Hon Mr Mancini:** I stopped because they were talking to each other and I did not want to interrupt them.

**The Chair:** I would not let that bother you; they tend to do that from time to time.

**Mrs Cunningham:** You should sit on our side of the House.

**Hon Mr Mancini:** I have for a long time. I did for 10 years and I enjoyed it. But I am not going back.

**The Chair:** I even find that members on this side often talk to each other too.

**Hon Mr Mancini:** They do.

**Mrs Cunningham:** It is better than talking to myself.

**The Chair:** I get good answers when I talk to myself.

**Mr Haggerty:** Put it on the record.

**Hon Mr Mancini:** Thank you, Mr Haggerty. Over the next five years, there is going to be a \$625-million allocation under the expenditures of provincial highways. Highway 407 from Airport Road to Warden Avenue, \$292.6 million; Highway 401 extension, \$147.9 million.

**Mrs Cunningham:** That is a lot of money.

**Hon Mr Mancini:** London is not included in the commercial concentration tax. Highway 403 from the Queen Elizabeth Way to Trafalgar Road, \$117 million.



Under provincial transit, I understand they are looking at obtaining rolling stock: 60 bilevel cars and 14 locomotives, \$129 million; Union Station improvements, \$58 million; service improvements, Milton, Stouffville, Richmond Hill, Georgetown, \$65 million. Under the section of municipal roads, \$65 million; Oakville, Upper Middle Road, \$12.5 million. That is the breakdown. Metro, Durham, Steeles Avenue, \$19.2 million.

Peel, Bovaird Drive, from Highway 410 to Airport Road, \$9.5 million. Lastly, municipal transit, a global allocation of \$150 million. The breakdown is Yonge-University-Spadina subway, \$38 million; 25 new streetcars, \$41.6 million, and Sheppard station, \$29 million. That is why we need the commercial concentration tax. It is that simple.

**The Chair:** Okay, motion to adjourn?

**Mr Morin-Strom:** I take it from that that one way of looking at this is that this tax becomes the reason or the excuse for you to be able to provide tremendous preferential treatment to the metropolitan Toronto area in terms of infrastructure and transportation facilities that are being denied to other areas of the province of Ontario.

**Hon Mr Mancini:** That is not true.

**Mr Morin-Strom:** You got to make your long statement.

**Hon Mr Mancini:** I am just teasing.

**Mr Morin-Strom:** That is one way of looking at it. The other way of looking at it, of course, from the political standpoint, is everyone knows it is very nice, politically, to kick Toronto in all other areas of the province. One could look at this kind of tax, I suppose, as having tremendous political benefits for yourselves in other areas of the province by sticking it to Toronto.

**The Chair:** Are you asking a question?

**Mr Morin-Strom:** Which of those two motives is the real one?

**The Chair:** Behind door number one or door number two.

**Hon Mr Mancini:** I think he is wrong in both cases.

**The Chair:** Do you have another question?

**Mr Morin-Strom:** No, I am fine. Thank you.

**Mr Daigeler:** Could you give us an indication of what would be the estimated impact on a daily basis of this particular tax on somebody who parks his car?

**Hon Mr Mancini:** We have looked at that and I believe we have calculated \$1.25 per spot.

**Mr Daigeler:** Per day?

**Hon Mr Mancini:** Per day. That does not necessarily mean that the \$1.25 would be absorbed by one person, because there may be turnover for that one particular spot. But it is \$1.25 per day and not \$7 and \$8 as has been suggested by others.

**Mr Mackenzie:** I noticed one of the newspaper articles raised the possibility that the take from this tax might be considerably more than what the minister has indicated. I am just wondering if you have any response to that.

**Hon Mr Mancini:** Initially, before all the exemptions were clarified, the take would have been considerably more than \$115 million, but once the exemptions have been clarified and the calculations made firmly on what would be taxed, I think we are within a very accurate range. As we indicated to you during the slide presentation, we know exactly the buildings and/or parking lots, the numbers and where they are in different municipalities, so it is a fairly easy calculation to make.

**Mr Haggerty:** I have just a supplementary question to my colleague to my right here. You said \$1.25. Was it \$1.25?

**Hon Mr Mancini:** Per day, per spot.

**Mr Haggerty:** Is there any chance, though, that the industry, the parking lots, will piggyback on that and you will see a substantial increase in parking rates within the greater Toronto area? Are there any provisions there that would not permit the piggyback?

**Hon Mr Mancini:** No, they could do that whether or not there was a commercial concentration tax. The owners of the parking lots, I am assuming, set their own rates. Whether or not we had this particular revenue measure, they could increase the cost to whoever was using the particular spot.

**Mr Haggerty:** I just wondered. It may just open the door for them to have a substantial increase in parking rates.

**Hon Mr Mancini:** That is a very good point and some of the figures that were bandied around caused me quite a bit of concern. We are going to do everything we can to make sure that the general public knows that this tax is worth \$1.25 per spot per day, and if rates increase above that, it is not due to the commercial concentration tax.

**Mr Haggerty:** No, but you are talking about different ones who would come in and use the same parking place. For example, down across from the dome I think it is an \$8.50 charge. That



is a flat rate. The average person may spend two hours there or something like that and then if somebody else comes in and uses it, they may put on the rates scheduled at an extra \$1.25 on top of that. Maybe that is where the assessment should come into the picture.

**Hon Mr Mancini:** That is what it will cost extra, \$1.25 a day, but there may be more than one person who will share that \$1.25.

**Mr Haggerty:** That is right. It may permit the industry, though, to capitalize on that and then apply it to every person who uses that station or that parking lot.

**Hon Mr Mancini:** I see your point, but we are going to do everything we possibly can to inform the general public that this tax is worth \$1.25 per day on that spot for the full 24-hour period.

**Mrs Cunningham:** I have a question. On page 8 of the presentation here, "The Commercial Concentration Tax," the graph where we are looking at the number of properties liable for the CCT, you have parking lots, garages, commercial buildings, etc. In each of the assessed offices, Toronto, North York, do you know how many of those in the parking lots/garages column would be privately owned as opposed to owned by municipalities?

1630

**The Chair:** Excuse me, we have the bells going and it appears to be a quorum call. Are there members here who are on House duty?

**Mrs Cunningham:** I am on House duty.

**The Chair:** I am too, so I guess we should just take a moment to recess, go for the quorum and then come right back, if we can.

The committee recessed at 1630.

1631

**The Chair:** I think we will reconvene the meeting since the quorum was satisfied in the Legislature. We are trying to determine if indeed members of this committee who are on House duty need to respond to those bells. There is some indication, and Mr Reycraft might know since he is the former government whip. Do you know if we need to go to the Legislature when the bells ring for quorum or are we considered quorum being in committee?

**Mr Reycraft:** I think that is up to the rules laid down by each party's whip. The bells will ring for five minutes. If 20 members do not appear before the five minutes has gone by, the House will adjourn for the day.

**Mrs Cunningham:** So maybe we should just stay here.

**Mr Reycraft:** It is generally considered to be the responsibility of the government party to keep quorum in the House.

**Mrs Cunningham:** We get to Bill 119 on Monday instead of today. I got your message.

**Mr Reycraft:** Are we doing it today?

**Mrs Cunningham:** I think so.

**The Chair:** Until I get clarification, the rules say that on a division bell, the committee will be suspended. But that was not a division bell, it was a quorum bell, so until I get a clarification, we will continue to operate that way.

Mrs Cunningham, perhaps you would like to put your question again since you were rudely, or not so rudely, interrupted.

**Mrs Cunningham:** No, I was not actually. Okay, we were on page 8. Did I get the question on? That is, do you have the numbers that would be owned by the municipalities as opposed to privately owned?

**Hon Mr Mancini:** Mr Lettner has some figures that would be helpful.

**Mrs Cunningham:** I just want to know if you have them.

**Hon Mr Mancini:** Sure, yes, we have something.

**Mr Lettner:** We do not have the actual numbers of parking lots, but we can tell you that approximately \$10 million is from municipal parking lots of the total of \$115 million.

**Mrs Cunningham:** That is \$10 million out of \$115 million?

**Mr Lettner:** That is right.

**The Chair:** Do you want us to proceed to other questions?

**Mrs Cunningham:** No, it is okay. We are just changing gears. Are you going to find out if Bill 119 is on, Mr Reycraft?

**Mr Reycraft:** I shall.

**Mrs Cunningham:** Both of us. It is not on, Mr Reycraft.

**The Chair:** Now that we have clarified that, let's get back to the business of this committee.

**Mrs Cunningham:** With regard to that question, I suppose the reason I am asking is that it seems to me this tax sets a precedent in a sense. Just to expand a little on the question from my colleague, that means the senior level of government will be taxing for the first time, at least as far as I can gather, the property of a junior level of government. Is that correct? It is precedent setting, I am saying.

**The Chair:** Minister or Mr Lettner?

**Mrs Cunningham:** I have never heard of it before. If there is an example, give it to me.

**The Chair:** Only on fee paid, is it not?

**Mr Reycraft:** The province pays federal sales tax. I do not think it is unprecedented.

**Hon Mr Mancini:** Mr Lettner has a comment.

**Mr Lettner:** It is the first time of this type. Municipalities do get grants in lieu from other properties—provincial, federal—but it is the first time that it is a direct tax.

**Mrs Cunningham:** On property.

**Mr Lettner:** That is right.

**Mrs Cunningham:** It is the first property tax that we are levying directly to another level of government.

**Mr Lettner:** This is not exactly a property tax as we administer it under the Assessment Act, but it is a tax. Municipalities do pay land transfer tax on properties they buy and sell. Municipalities pay a retail sales tax, which is a different type of tax. But if a municipality buys a lot to build on—as a case in point, Metro Toronto is building a new Metro hall—it is buying a piece of land and it will pay land transfer tax to the provincial government on the amount it paid for that.

**Mrs Cunningham:** I am trying to come at this another way. Through the regional assessment offices, those are the rolls that you are using to collect the tax. Is that correct?

**Mr Lettner:** No. The regional assessment rolls are the basis for it. Then we have gone out and we have inspected the properties and remeasured them as the basis. The regional assessment office staff have been the staff I have used to do the work, though.

**Mrs Cunningham:** So that you can come up with the appropriate numbers. That is just an information body then, the work done by the regional assessment offices? They are just giving information?

**Mr Lettner:** The regional assessment offices have done all the work up to now with regard to this tax. They have measured the properties. We will be preparing the assessment notices after the legislation is through and we will be preparing the register that is referred to so that people can see what other people are paying.

**Mrs Cunningham:** My question really ought to be that this is the first time that a senior level of government has assessed another level of government for a property tax.

**Hon Mr Mancini:** No, I think Mr Lettner stated earlier that there were two or three other different taxes.

**Mrs Cunningham:** A sales tax is not an assessment on a property tax; they are paying on goods.

**Hon Mr Mancini:** The land transfer tax and all of those other taxes.

**Mrs Cunningham:** Is there an assessment on a land transfer tax done by your office?

**Mr Lettner:** It is done by the Ministry of Revenue, yes. It is a percentage of the selling price.

**Mrs Cunningham:** All right. I will leave that one for a moment because it is one I do not think I am making myself particularly clear on, but we can perhaps discuss it, if that is all right with you, at another time rather than pursuing it at this point.

**Mr Lettner:** Fine.

**Mrs Cunningham:** The commercial concentration levy: Just to follow through on the attempt from my colleague, it really is the first time that we have looked at this kind of regional tax, in my opinion. Somebody mentioned car licences. We are looking at a regional property tax paid by both municipalities and private owners of property for one region of the province of Ontario as opposed to any other time. I cannot think of a precedent for this.

**Hon Mr Mancini:** Any other region in Ontario except the north pays a higher level of taxes for the privilege of using automobiles. That is exactly what I said to—

**Mrs Cunningham:** No, I am talking about property taxes here. I am talking about a property tax, which is a tremendous source of taxation.

**Hon Mr Mancini:** This is not a property tax. This is a commercial concentration tax which is levelled against units of 200,000 square feet or greater. No one is going out and assessing the property value of any of these particular pieces of property that you find on page 8. They have been measured for square footage and a figure, chosen by Treasury, was assessed for every square foot over 200,000 square feet, to generate approximately \$115-million worth of income. I do not think it is correct for any member of the committee to say that we are treating this matter as a property assessment matter. It is not that at all.

**Mrs Cunningham:** If it is not, I would certainly like to know what it is instead. What else is it?

**Mr Haggerty:** It is just like putting parking meters out on the street. You are collecting taxes.



This is a form of taxation, parking meters are, and this is what this is just another form of.

**1640**

**Mrs Cunningham:** With due respect, I am not going to pursue this level of questioning any more. I was trying to get some clarification and I will agree to disagree with the minister. Perhaps the municipalities can help us along when they come before the committee. I think we have set a precedent here, in my view, and I will be most interested to see what the municipalities are going to say about it.

I would like to know the total value of the tax that will be collected by this bill, as far as we know, given the numbers that you have got now.

**Hon Mr Mancini:** As we said in the presentation, \$115 million.

**Mrs Cunningham:** At the bottom line down there. And the other bill was some \$2 billion?

**Hon Mr Mancini:** The other bill replaces OHIP premiums, which in fact brought in approximately \$1.8 billion. OHIP premiums are abolished, the employer's health levy will come into play and we will collect \$2.1 billion.

**The Chair:** I am being somewhat lenient. We are done with the other bill at this stage, for briefing purposes.

**Mrs Cunningham:** I know. This is just taking me into the next stage of what this committee is all about as far as I am concerned, and others may have other questions. I just think what we are doing is collecting some \$2.2 billion in new taxes, so I have something to say about the input on behalf of the people who are affected and who will be paying these taxes. So I would like, at some point this afternoon, to talk about the process. Somebody has mentioned to me that there were some hearings on 27 or 28 November, and I just want to be updated on that and have some input to that, that is all.

**The Chair:** There was a resolution in the House today—I can help you very briefly—moved by Mr Ward, granting this committee two additional days, those days to be agreed upon by the three parties. The days we had originally set aside were 27 November and 28 November, the Monday and Tuesday of that week, due to losing 30 November as a hearing day. So once we have completed the briefing by the minister and his staff—

**Mrs Cunningham:** Yes, that is what I was leading into.

**The Chair:** —and we have completed questions by members, we would like to have either a

steering committee or a discussion of the entire committee, if need be, about when we can schedule those hearings.

**Mrs Cunningham:** Okay, so there has been no decision on that.

**The Chair:** The only decision has been that the House leaders have granted two additional days to the committee.

**Hon Mr Mancini:** What were the dates again?

**The Chair:** We do not really know yet. The days we were originally working on were 27 November and 28 November, in addition to 16 November and 23 November, and they were primarily to replace the morning and the afternoon of 30 November.

**Mrs Cunningham:** So that is really only one additional day.

**The Chair:** But what has been granted is any two days agreed upon by all the recognized parties on the committee to consider these two bills. So we have to decide which days we want to get to, but I was hoping to leave that to the end of the committee. I do not think the minister need sit here while we establish our schedule.

**Hon Mr Mancini:** I am not party to your committee, of course, but I was all set for 30 November.

**Mrs Cunningham:** So was I.

**Hon Mr Mancini:** But I see that 27 November is not possible for me, so if you have a choice of any two days, 28 November is no problem. I would like very much to be here as much as I can, if we could find an alternative date to 27 November. If you could just consider that while you are making your decision, I would appreciate it.

**The Chair:** These are for hearings, by the way, as opposed to—

**Hon Mr Mancini:** Yes, I understand. I just feel better if I am able to be here, but if it is not possible, it is not.

**The Chair:** We will try to accommodate that.

I would like to go back to any questions on the briefing, if members have any. I have one or two. I would just like some clarification on page 6 of your report, perhaps some expansion as to the rationale for exempting racetracks and trucking depots. I understand that warehouses would perhaps fall under the definition of "industrial," and research and development facilities perhaps have justification as "industrial" as well, but I am not quite clear on the racetrack or trucking depot exemption.



**Mr Black:** My name is Don Black. I am from the taxation policy branch of the Ministry of Treasury and Economics.

The reason that racetracks, trucking depots, warehouses and those kinds of facilities were exempted was because they were felt not to be commercial concentrations of the same sense as the commercial towers downtown or the large retail malls which sort of ring the perimeter of the city. On that basis, it was felt that because, for instance, racetracks are not a commercial concentration in the sense that they are more seasonal than other kinds of concentrations, they would not be in the tax base.

**The Chair:** I have some difficulty with a trucking depot being exempted. Off the top of my head, it seems to me that they are going to generate an awful lot of the traffic flow on to the roads in the GTA, so why would we exempt them? Are we catching it in some other area, for example? Perhaps at the trucking firms?

**Mr Black:** Certainly on the diesel tax that trucking firms would face, as well as capital taxes and their commercial carrier licences. Those kinds of fees do come from that industry. As well, in the last budget the diesel tax was also increased.

**The Chair:** So you feel that there are already enough road taxes, so to speak, being paid by the trucking industry that it would qualify for an exemption as a result of that?

**Mr Black:** With respect, that is a question for the Treasurer to address, I guess. It was felt with the commercial concentration tax that trucking depots were not in the same nature as the commercial towers.

**The Chair:** I believe the parliamentary assistant to the Treasurer may have a comment.

**Mr Reycraft:** Perhaps if I could add to what Mr Black has said, it is also true that the kind of commercial activity that occurs in a trucking depot is certainly not like the commercial activity that occurs in retail stores and most of the other commercial areas that are subject to the tax.

**The Chair:** Could I just ask one more? Mr Mackenzie has a question. Just to clarify, I see in various parts of your presentation there is discussion about properties that are exempt from paying municipal or school taxes being exempted. Would that indeed include municipal parking lots, which appear not to be exempt?

The second part of that question is to differentiate between municipal parking lots or hospital parking lots that charge a fee for

parking, that type of facility, versus free parking lots that may be provided by the municipalities.

**Mr Lettner:** Free parking lots are not charged, are exempt from the commercial concentration tax.

**The Chair:** Completely.

**Mr Lettner:** Where they are owned by the municipality. A parking lot, to be eligible for the commercial concentration tax, must be accessible—

**The Chair:** That is an interesting way of putting it.

**Mr Lettner:** —to the public and charge a fee. With regard to hospitals, if the parking lots are administered by the hospital, they are exempt. If they are leased out to some parking group, they are taxable. Parking lots that are used for seasonal use, such as the Canadian National Exhibition where there is parking down there only for special occasions, are exempt. Canada's Wonderland, where it is only seasonal, is exempt. So it has to be full-time, it has to be accessible to the public and a fee has to be charged.

**The Chair:** For example, not to jump the gun on our hearings, we have had a request to have a presentation by the TTC. I would have assumed that their parking facilities were tax-exempt municipally and that some of them would be fee-oriented and some of them would not be.

**Mr Lettner:** I believe most of the TTC parking lots are accessible to the public and a fee is charged, a daily rate. So they are not exempt from the commercial concentration tax.

**The Chair:** Even though they may be exempt from paying municipal taxes?

**Mr Lettner:** The TTC, I have been informed, is a public utility and is liable to taxes and business tax. The GO, which was mentioned earlier, all its parking lots are free. They are not liable to the tax. There is no charge at GO parking lots.

**1650**

**Mr Mackenzie:** Is part of the rationale for this tax not really an additional effort to get the number of cars off the roads and the streets in the greater Toronto area, to discourage people from bringing their cars in with the higher costs?

**Mr Black:** Perhaps I should take that one. No, I think quite simply put, the tax, as it is put before you today, is in fact trying to generate the \$1.2 billion that will be spent on the public infrastructure in the greater Toronto area. There was nothing more complex than that about it.

**Mr Mackenzie:** I was thinking in terms of the questions that were asked about the racetracks, which I think do add to it as well and so on, but there is certainly a perception out there—you may not have sold it that way. Maybe you had better disabuse people of the perception that one of the reasons for this particular tax was not totally a revenue-accruing move but sort of a backhanded way of trying to discourage some of the traffic congestion by people getting a little bit tired of the increased costs of bringing their cars in.

**Hon Mr Mancini:** If that is a side benefit, I guess it is positive.

**Mr Mackenzie:** If it is positive, then I do not know why you would exempt the racetracks. That is the only point I am making on the deal. If that was not the intent to begin with, then obviously there is not much purpose in the question I have asked.

**Hon Mr Mancini:** They are a seasonal operation too, like Canada's Wonderland, and it has been exempt.

**Mr Mackenzie:** But am I assured that that was not a hidden agenda or anything at all?

**Hon Mr Mancini:** We certainly did not participate in any kind of hidden agenda that discussed those matters. I do not know, did you guys in Treasury do that?

**Mr Black:** There was no hidden agenda.

**The Chair:** Or it was extremely well hidden. As a supplementary to that, I wonder why, under the list of exemptions, you did not include seasonal properties as a category. In other words, you have specifically identified racetracks, and the reason and rationale are the seasonality, yet you have not specifically identified the CNE and the CNE parking facility would qualify for an exemption.

**Hon Mr Mancini:** I think it is just a matter of—

**The Chair:** I do not mean to be picky, but it would perhaps be more clear. If they qualified as a seasonal exemption, we should say so, unless there are seasonal properties that are not exempt.

**Hon Mr Mancini:** Not that I know of. We were just trying to make a list to give a few or a number of examples for the committee. Maybe we could have structured it a little differently or we could have added to the list, I guess. But yes, you are being picky, if you want to know the truth.

**The Chair:** Mrs Cunningham.

**Mrs Cunningham:** Only to support the picky chairman, and that is, if you are going to have exemptions, they have to be—

**The Chair:** I may have to rethink my position.

**Mrs Cunningham:** I know. I mean, it is only fair that we know what the exemptions are. Those are pretty important examples.

**Hon Mr Mancini:** It is in the bill.

**Mrs Cunningham:** That is fine, as long as it is inclusive in the bill. Am I correct to understand that?

**Hon Mr Mancini:** In subsection 4(4) of the bill, under exemptions, it states, "Land that is a commercial parking lot is exempt from tax under this act if it is operated as a commercial parking lot on a seasonal basis."

**Mrs Cunningham:** I am given to understand that it will be up to the ministry to decide which ones fit and which ones do not fit.

**Hon Mr Mancini:** We have already shown you the table on page 8.

**Mrs Cunningham:** You have given me some, yes.

**Hon Mr Mancini:** So we kind of know which ones fit. It will be up to the ministry to decide, I guess, whether matters are expanded or contracted, and then, through the order-in-council process, that happens or it does not happen.

**Mrs Cunningham:** I have a question out of curiosity. Some private parking lots allow nonprofit fundraising groups to use their parking lots for special events and they charge a dollar on Saturday. Where does that fit in the legislation? Otherwise, the Kiwanis club might operate a business parking lot.

**Hon Mr Mancini:** Let me see if I can outline this scenario. There is a large parking lot and this parking lot is not a seasonal lot but is used year-round.

**Mrs Cunningham:** It is used by the employees of that particular business or industry.

**Hon Mr Mancini:** Oh, well then they are exempt. They are already exempt.

**Mrs Cunningham:** But the fact that they are allowing an organization—

**Mr Daigeler:** Is that year-round?

**Mrs Cunningham:** Yes, it would be year-round. Kiwanis might use it every Saturday or every Friday night or Thursday night to make money.

**Hon Mr Mancini:** So they are still exempt.

**Mrs Cunningham:** Exempt. Good.

**Mr Daigeler:** I note that industrial property is exempted. I am just wondering whether we could get some indication as to how one defines industrial property in that regard.

**Mr Lettner:** On page 1 of the bill, “‘industrial property’ means land used for the assembling, processing or manufacturing of finished or partially finished products from raw materials or fabricated parts.”

**Mr Daigeler:** Is that a federal definition? Where is that definition coming from?

**Mr Lettner:** It is one that we use for looking at business assessment, for one purpose, for commercial or industrial property.

**Mr Daigeler:** So you have a sort of established practice already in place where you can just apply the same kind of categories.

**Mr Lettner:** We use the same categories, yes, and the same tests when we look at a property. In property assessment, we have to arrive at a business assessment also, so we use tests as to whether it is industrial, commercial or what type it is.

**The Chair:** So it is not based on the zoning or land use; it is based on this definition.

**Mr Lettner:** It is not based on zoning or land use. Yes, certain industrial zoning will allow commercial properties into it.

**The Chair:** Usually through minor variances. But it does not necessarily change the zoning; it simply grants minor variance. Industrial zoning is industrial zoning.

**Mr Lettner:** You are right, yes.

**The Chair:** Thank you.

**Hon Mr Mancini:** That is one for you, Mr Chairman.

**The Chair:** Well, I was not really trying to win one.

Are there any other questions by committee members of either the minister or his staff? If not, thank you very much for attending for both of these bills today. Maybe, Minister, you would like to know the outcome of our discussions on scheduling, if we can indulge you for a moment.

**Hon Mr Mancini:** The parliamentary assistant will inform me.

**The Chair:** We are missing Mr Morin-Strom and Mr Ferraro of our subcommittee, but perhaps Mr Mackenzie might want to—or do you want to do it as a committee right now and we can discuss our options? I think it is probably easier if we do it as a subcommittee.

I have just been asked to mention to members of the committee that public hearings start next week. We are allowing 15 minutes per group and that is as a result of the large number of groups that have requested an opportunity to present. I think I am going to have to be somewhat ruthless

to allow us to get through the hearings in sticking—

**Mr Haggerty:** That is not unusual.

**The Chair:** Being really a gentle person, as I am. But I would really request of members that either they be prompt in starting at 10 o'clock or perhaps allow the committee to begin if for some reason members are unable to be here.

**Mrs Cunningham:** Can I just ask a question? On the 15 minutes, is everybody 15 or just a larger municipality or whatever, a group of municipalities? Has anybody agreed to be here for—

**The Chair:** I think we have given some groups more time.

**Clerk of the Committee:** Two groups have been given a half hour, the Board of Trade of Metropolitan Toronto and the Retail Council of Canada, only for the reason that they are presenting on both Bills 46 and 47, so they have half an hour to do two bills.

**The Chair:** You can appreciate the difficulty of scheduling.

**Mrs Cunningham:** I do.

**The Chair:** We want to hear as many groups as possible, and therefore we really have to make a decision to limit the time.

**Mrs Cunningham:** Will the subcommittee try to meet on Monday? I am having problems with the 27th and 28th just because of my other commitments on another committee here, the standing committee on social development.

**The Chair:** Can we meet now as a—

**Mrs Cunningham:** Can we meet now, Bob? Is Rick here?

**Mr Mackenzie:** I am not sure what the parliamentary schedule is.

**Mrs Cunningham:** That is the problem.

**The Chair:** Well, Mr Reycraft can sit in for Mr Ferraro.

**Mr Reycraft:** Mr Ferraro is available. He is in another room and he has left the room number with me and I can get him.

**Mr Daigeler:** I have to go to the House to give a speech, so just very briefly, could you arrange the hearings attendance in such a way for the officials of the ministry that we have the commercial concentration tax either in the morning or in the afternoon, the way we have done it today? Would that be reasonable?

**The Chair:** We will try to accommodate that request as much as possible but it is becoming



somewhat of a nightmare of scheduling for the clerk's department. But we will try to set that up.

**Mr Daigeler:** It is just because the officials are different.

**The Chair:** I understand that but there may be groups who are coming from some distance who need to present in the morning or the afternoon.

**Mr Daigeler:** If it cannot be done, it cannot be done.

**The Chair:** Let's adjourn the committee, and we will move into our steering committee.

The committee adjourned at 1701.

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**Staff:**

Anderson, Anne, Research Officer, Legislative Research Service

**Witnesses:**

**From the Ministry of Revenue:**

Mancini, Hon Remo, Minister of Revenue (Essex South L)

Russell, T. M., Deputy Minister

Labaj, Treasa, Employer Health Tax Branch

Gurdin, Sewack, Senior Manager, Legislation, Corporations Tax Branch

Lawrie, Roy, Assistant Deputy Minister, Tax Revenue and Grants Program

Isenburg, Carl, Senior Manager, Commercial and Exempt Valuation Unit, Special Properties Branch

Lettner, Jack, Assistant Deputy Minister

Sholtack, Gerald, Director, Legal Services Branch Toronto

**From the Ministry of Health:**

Malcolmson, Patricia, Executive Director, Claims Payment Division

**From the Ministry of Treasury and Economics:**

Orsini, Stephen, Senior Economist, Taxation Policy Branch

Black, Don, Assistant Director, Special Projects, Office of the Budget and  
Intergovernmental Finance

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No. F-5

# Hansard

## Official Report of Debates

### Legislative Assembly of Ontario

#### **Standing Committee on Finance and Economic Affairs**

Commercial Concentration Tax Act, 1989

Employer Health Tax Act, 1989

#### **Second Session, 34th Parliament**

Thursday 16 November 1989

Speaker: Honourable Hugh A. Edighoffer

Clerk of the House: Claude L. DesRosiers





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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 16 November 1989

The committee met at 1009 in room 151.

### COMMERCIAL CONCENTRATION TAX ACT, 1989 (continued)

### EMPLOYER HEALTH TAX ACT, 1989 (continued)

Consideration of Bill 47, An Act to impose a Tax on Employers for the purpose of providing for Health Care and to revise the requirements respecting the payment of Premiums under the Health Insurance Act, and Bill 46, An Act to establish a Commercial Concentration Tax.

**The Chair:** I see a quorum in the room, perhaps we could take our seats and I will call the meeting of the standing committee on finance and economic affairs to order. The purpose of our hearings today will be to receive depositions from various groups on Bills 46 and 47; Bill 46 being the commercial concentration tax and Bill 47 being the employer health tax.

We are on an extremely tight schedule, as you can see. We have had a long list of people who have requested an opportunity to appear, and as of this moment, we have not been able to accommodate all of the requests. Therefore, I would like both the presenters and committee members to know that it will be important to stay to our schedule. We are allowing about 15 minutes for presenters and questions back to the presenters from committee members. I will be limiting those questions to one per caucus, unless we find ourselves getting ahead of the schedule, at which time, we can loosen the reins a little bit.

Our first presenter this morning is the Canadian Manufacturers' Association. Good morning, and welcome to the committee. Perhaps for the purposes of electronic Hansard, you could introduce yourselves and begin whenever you are ready.

### CANADIAN MANUFACTURERS' ASSOCIATION

**Mr Owen:** I am Eric Owen, director of taxation for the Canadian Manufacturers' Association.

**Mr Nykanen:** I am Paul Nykanen, vice-president, Ontario division for the Canadian Manufacturers' Association.

I would like to just give a brief outline of who we are. The CMA was formed in 1871, which was 118 years ago and four years after Confederation, and today is a national, bilingual organization of more than 3,000 member companies. Approximately two thirds of these companies form the Ontario division and are resident in Ontario. They vary greatly in size, and 70 per cent of our member companies have fewer than 100 employees. They represent all facets of manufacturing.

The association plays two vital roles on behalf of the manufacturing community in Ontario. First, it monitors domestic and international government policies to create a suitable climate for manufacturing in Canada. Second, it provides the member companies with information needed to operate effectively in today's highly competitive and rapidly changing world.

The CMA is a nonpartisan organization that strives to make a positive contribution to the legislative process at both the federal and provincial levels. All the positions that we take are developed by either national, regional or local committees made up of member company executives.

We are very pleased today to have the opportunity to make our submission on Bill 47, An Act to impose a Tax on Employers for the purpose of providing for Health Care and to revise the requirements respecting the payment of Premiums under the Health Insurance Act.

The Ontario government is making strong efforts to attract investment but is undermining them with policies that discourage expansion. Before evaluating the impact of the employer's health tax on the manufacturing sector, it is critical to first understand the fundamental strategic importance of the manufacturing sector to the economy as a whole.

When manufacturers prosper, especially in export markets, they generate wealth and income and stimulate the demand for the services of smaller businesses. When they decline, however, the contraction of the business activity impacts immediately on the local market. Unfortunately, the linkages between the wealth creation and job generation are poorly understood.

There is a popular misconception that because employment among large manufacturers has

been declining in recent years, manufacturing is becoming less important to the Canadian economy. This is simply not true. The fact is that manufacturers have been driving down production costs with automation and streamlining their organizations by relying on more outside services. The percentage contribution to gross national product, and hence wealth creation, by manufacturing has remained at a fairly constant level.

The linkage between the manufacturing sector and the service sector is most evident in single industry communities where, if a large manufacturing enterprise flourishes, a local market booms. The converse also applies if a manufacturing plant is closed down. This interdependence between small businesses and larger organizations fused into a network tends to obscure the close relationship.

The critical point which we wish to make is that manufacturing managers are making decisions about where to locate their facilities in an extremely competitive world, and any relative change in tax regime affects this corporate decision-making.

Legislated social benefit costs have exploded over the past decade, and whereas we see changes in the consumer price index between 1981 to 1990 rising from 100 to 153.9 per cent, equitable environment among the tenants, less Canada Pension Plan, unemployment insurance and workers' compensation using the same 1981-base has risen in aggregate to 297 per cent. This certainly does not attract investment into Ontario. Added to this, manufacturers must now face additional health care costs with the resultant impact on profits.

Bill 47 as originally drafted included a requirement to provide for one additional month of health care costs so that the actual effective date was 1 December 1989, which would have created a 1989 balance sheet accrued liability for the January 1990 instalment.

The CMA has expressed its concerns with regard to the date of implementation of the payroll tax while continuing OHIP premiums up to 31 December 1989, which would normally provide coverage to 31 March 1990. Although the government has remained firm on the 1 January 1990 commencement date, we are delighted that an amendment has been tabled to eliminate the 1989 tax liability.

For large corporations, any additional tax is damaging to those operations which are labour intensive, particularly with respect to international competitiveness. This could result in hard

labour negotiations, as certain unions feel payment by corporations of OHIP is a loss, and as such, may seek additional compensation.

Small employers who are not in OHIP groups will have to absorb a new and additional cost, adding to an already heavy tax burden, which seriously impacts on their competitiveness and cash flow. In many cases, competitive pressures preclude employers from increasing prices to cover additional costs, forcing the levy to be absorbed by the employer and subsequently by the employee.

A payroll tax is similar to an ad valorem tax, and employer health levy revenues will increase as payrolls rise. With automatic increases, there could be no incentive for the government to increase efficiency or reduce costs in health care facilities. We believe, as with any tax, the public should be made aware of the true health care costs, and the individual should receive periodic notification of the costs of services paid on his behalf or to which he contributes.

The government of Ontario must provide an economic environment to attract investment to enable manufacturers and related service sectors to compete in the global village. Job opportunities, the creation of wealth, and a good standard of living for everyone in Ontario are all dependent upon our ability to measure up competitively to aggressive foreign competition.

Thank you for the opportunity to express CMA's concerns to the committee. We are open to any questions you may have.

**Mr Daigeler:** I certainly appreciate the views that you are putting forward and that you are coming to present your comments to the committee. I presume that many of your members will compare their competitive advantage with the United States, but when I look at an article—and I think there are several of these kinds of instances—that appeared, in fact, last Monday in the *Globe and Mail*, it makes reference to the car manufacturers. If I can just quote here, they are saying, "The impact in Canada has been relatively less severe than in the United States," the reduction in car manufacturing. "The reason is simple: Companies can build cars more cheaply in Canada because of lower labour costs. The two main factors in this situation are the lower-priced Canadian dollar and the fact that employers save on benefit costs in Canada because of government-financed medicare."

It appears that the Americans are looking to our system as, in fact, a cost advantage, rather than the reverse. I wonder whether you wish to comment on that.



**Mr Owen:** I will comment on that. I think reading from a newspaper, while it gives you certain information, does not give you the full story. You did mention the lower Canadian dollar. With the fluctuations in the dollar, this is short term if you are looking at a lower Canadian dollar. We do not know, within the manufacturing community, what the dollar is going to do from day to day, and this is one of the problems that we see impacting on our manufacturers, that the actual ups and downs of the dollar really impact on them.

Concerning the lower labour costs in Canada, it depends where you are measuring lower labour costs. If you are measuring lower labour costs with Mexico or perhaps even southern the United States, you could say that there could be lower labour costs. But if you are measuring a Canadian manufacturer with somebody from other than the deep south, the labour costs are not lower in any way, shape or form.

Regarding, again, government finances, I know it has been said time and time again regarding the actual differentiation that perhaps the costs of fringe benefits in Canada are far lower than in the United States, and in large part social security is pointed out as being much in excess of the actual health care costs in Canada. The social insurance also applies to a whole variety of other programs, and the 13 per cent that they pay down there also applies to welfare situations, pensions. When you start looking at it in aggregate, we certainly are not competitive.

**1020**

One thing, as well, we must take into consideration is that we also have on the back burner another bill, another implementation, which is to index pensions in Ontario. This is another thing that will come eventually, and this is something that, again, manufacturers will take a long hard look at. You quote the automotive companies on this. With the implementation of pension indexing, the automotive companies are certainly not in favour of this. It will cost them hundreds of millions of dollars.

**Ms Bryden:** I thank the representatives of the Canadian Manufacturers' Association for their comprehensive brief. I am the revenue critic for the New Democratic Party, and I have been piloting this bill through the different stages in the House. You mention that this tax will have a great impact on your member companies, but I think all parties now agree that the premium system should be replaced. The New Democrats endorsed that 10 years ago. The other parties have been rather slow in coming to that position,

but they now agree that the system is not providing equal and fair access and that the OHIP records are not too well maintained. So we have to get a new system, premium-free, if we are going to have equal access to medicare and health care.

Have you any suggestion of another alternative to replace that substantial amount of income that comes in from premiums at the present time? Have you any alternatives to the employer health levy?

**Mr Owen:** That is a difficult question to answer from the point of view of whether we have an alternative. The OHIP premium system has been in place for quite a number of years. It has been supplemented with general revenues; we are aware of that. At the same time, we do, I think, agree that the system as it stands right now is inadequate. However, from the point of view of its being a free system, nothing is free in any shape or form of commerce from the point of view that somebody has to pay for it somewhere.

From the point of view of its falling back on to the employers of Canada, again, I have to keep going back to our original brief. We have to compete out there with a lot of other people who do not have the health care benefits. I am not saying that is good—do not misconstrue what I am saying—but at the same time, we do have to compete out there, and if we cannot compete, our standard of living in Canada will depreciate accordingly.

As for bringing forward an additional scheme, whether it is user-pay, this has been tried in other jurisdictions. It has not been satisfactory at times. In other jurisdictions it has been satisfactory. It depends on the amount that the user pays towards the actual care.

**The Chair:** I really have to not allow supplementaries because of our time constraints.

**Mr Runciman:** I share many of the concerns of the witnesses appearing before us today and I just wanted to remind the members of John Bulloch's comment that the Liberal government of Ontario is the most antibusiness government in Canada. I think that is reflected in a lot of initiatives that we have seen generated by this government over the past number of years.

I have the same concerns that you have with respect to not only attracting investment but also ability to retain some of the manufacturers and the businesses that are currently operating in this province. We see rather hypocritical things occurring, like 13 members of the Legislature now in Italy, supposedly attracting new investment to this province. It is unprecedented. We

have never seen that sort of development. What kind of assistance are 13 MPPs going to have in attracting investment?

**The Chair:** With respect, will you stick to the issue at hand?

**Mr Runciman:** I am sticking to the issue, I think. We have had a 105 per cent increase in taxes since this government came into office. We have talked about pay equity labour laws.

**The Chair:** Do you have a question of the deputants?

**Mr Runciman:** Yes, I have a question. I think, Mr Chairman, you are not being totally objective.

**The Chair:** I certainly am, Mr Runciman. You know our time schedule. We have had a lot of difficulty in fitting everyone in, and in fairness to everyone, I would like you to ask a question of the deputant, if you would not mind.

**Mr Velshi:** Mr Chairman, on a point of order: I just wanted a question. The John Bulloch who is being referred to, is that the same John Bulloch who thinks South Africa is okay the way it is?

**The Chair:** That is not a point of order.

**Mr Runciman:** Assuming that this legislation is going to proceed as structured, with some minor modifications, I am just wondering what you see occurring in the province in the next five to 10 years in terms of our ability to attract investment, and the loss of manufacturers, perhaps to the United States and Mexico, which we have seen starting to develop. This government tends to blame it, perhaps as an implication or a reaction to the free trade agreement. I suggest it has more to do with the economic climate that this government has created in this province. I would like to hear your comments on that.

**Mr Nykanen:** I can perhaps respond to that. There seems to be a feeling that we are always comparing Canada and Ontario with the United States, whereas in actual fact we are really competing in the global arena. If we look at investment opportunities in Ontario relative to a lot of other jurisdictions, certainly the climate is more favourable in many areas other than in Ontario. We have an extremely heavy tax burden, we have a very heavy regulatory burden, and the cumulative effect of it is very, very significant.

If we are comparing ourselves with the United States, for instance, as was pointed out earlier, it may show that we are gaining a little bit relative to the United States, but it is also very significant to note that when we are competing in this global

arena, the actual improvements in productivity, gross domestic product per worker and so on in other jurisdictions, such as Japan, Taiwan, Korea and now Singapore, are going leaps and bounds over we manufacturers in Ontario or we as a province. Certainly this is going to have a long-term effect as far as the decision-making on where to locate plants and facilities is concerned.

**The Chair:** That is all the time we do have, unfortunately, but we do appreciate your taking the time to submit your brief and spend some time with us this morning. Thank you very much.

Our next presenters are the Ontario Painting Contractors Association. Could they please come forward?

**Mr Velshi:** Because of the shortage of time, if people do not have proper questions to ask, could we pass the questions on to somebody else who does have something meaningful to ask these witnesses?

**Mr Haggerty:** Good point.

**The Chair:** Once again, I will remind members that we are very limited. We are seeking additional time for hearings, but we are having some difficulty in getting a number of members to concur with that additional hearing time. We have permission from the Legislature to sit two more days, so if we can get that additional time, perhaps the time constraints will lighten up. I will try to be as objective and as fair as I can. Regardless of which member it is from which party, if any of you start to wander into other issues, I am afraid I will have to ask you to get back to focus.

Good morning and welcome. Perhaps, for the purposes of Hansard, you could introduce yourself. We have 15 minutes for both your presentation and questions back. Begin when you are ready.

#### ONTARIO PAINTING CONTRACTORS ASSOCIATION

**Mr Hruska:** My name is Frank Hruska. I am past president and chairman of the union liaison committee for Ontario Painting Contractors. I have with me George Mummery, past president of the OPCA, and Malcolm Satov, president of OPCA.

**Mr Hruska:** I wish to thank you for the opportunity to speak to your committee today about Bill 47 and how this legislation affects unionized painting contractors in Ontario working in the industrial, commercial and institutional sectors.



Through our association, the Ontario Painting Contractors Association, we negotiate a provincial agreement with the International Brotherhood of Painters and Allied Trades to govern wages, benefits and working conditions. The time frame for these negotiations for all trades was legislated in 1978 by the Ministry of Labour.

### 1030

Our member contractors currently employ over 2,000 painters in the province and represent in excess of 3.2 million man-hours annually.

Implementation of Bill 47 in the present form potentially requires our members to make double payments to ensure health coverage, once contractually and once again legislatively. This results not only in a duplication of OHIP coverage, but in an accumulation of substantial sums to the union.

We understand that other employers, such as Stelco, Inco, Algoma, Texaco and Domtar, to name a few, which pay OHIP premiums through a negotiated agreement will simply replace these premiums with the employer health levy. Bill 47 does not require these employers to enhance the compensation paid to their employees as you are suggesting it does for our members. We are no different from these employers. This legislation should not discriminate against us because of our method of payment. In order to understand how the double payment affects us, let me clarify the trust that was established and how it works.

In 1978, management and labour together initiated a trust fund to protect the health and welfare of our employees and their families. This trust fund was implemented to satisfy the complexities of multi-employer contributions and to compensate for the seasonal nature of our industry.

The trustees for this fund comprise union and management representatives. The trust is managed through an appointed administrator whose duties are directed by the trustees. These trustees are responsible for the design and administration of the benefits provided by the welfare trust fund and for the collection and allocation of the contributions. Provisions of the trust fund specifically call for the funds to be used to pay 100 per cent of OHIP premiums.

We attempted to clarify our position to the government as early as 1986, through the Council of Ontario Construction Associations, but the response has indicated a clear lack of understanding of our issue.

Although our association is concerned primarily with the painting trade, we feel the government has completely ignored the issues of OHIP

premium double payments for 13 bargaining units representing over 30,000 employees.

Even though our union agrees that Bill 47 is a windfall for their reserves, they insist that we must continue to make OHIP premium payments to the welfare trust fund, which will not result in any direct benefit to the workers.

Clearly, in eliminating OHIP premiums and establishing the employer health tax, the Treasurer (Mr R. F. Nixon) did not intend to place employers in the position of having to do something more than ensure that employees received the benefit of OHIP.

We appeal to the government, through this committee, to realize the inappropriateness of this legislation and to exempt provincial agreements with trust fund provisions for the payment of OHIP until the negotiation of a new contract on 1 May 1990. This will permit the bargaining process to deal with the problem.

If this cannot be achieved, our members intend to contest this issue under the principle of unjust enrichment, which requires that either party "must disgorge any benefit by virtue of which he was enriched at the expense of the other party in circumstances in which it would be unjust for him to retain such benefit."

We ask only to be treated fairly and equitably with this legislation. We understand the need for the payroll tax, but we should not be expected to pay twice. We would welcome the opportunity to meet further with the government to resolve this issue.

**Ms Bryden:** I really appreciate your coming before us, because you have brought to our attention a situation that is not entirely unique but is quite different from that of most of the employers and labour groups in the province. I do not think this was dealt with very much in the second reading debate. So I think this committee welcomes your submission as to the problems that arise from your particular kind of contractors and labour agreement, and it does create problems that might be considered, with the possibility of an amendment. But we have to know the facts first, so I appreciate the fact you have come forward.

You say there are 30,000 employees covered by your agreement. Is that a growing figure or is that a fairly constant figure over the past few years?

**Mr Hruska:** The 30,000 people who are mentioned in our summary may be presented later, I understand, from COCA with the rest of the trades. We are here representing, actually, the 2,000 painting employees. There are 13 other



agreements that we understand are exactly similar, in a trust fund agreement, to ours. Some of the trades have specific provisions exempting them out of OHIP or having OHIP paid by the employees. In our particular agreement and 13 others they are part of a welfare trust, so we have estimated, from information from COCA, for that to be 30,000 people.

**Ms Bryden:** Thank you for bringing it forward as the first group. There may be others who will tell us more about the situation.

**Mr Reycraft:** I want to thank the members of the association for their presentation. I do want to indicate that Treasury staff have met with representatives of COCA three times now to discuss this issue and I believe the Treasurer has met with them once. I understand that there is another meeting that has been arranged for next week when we will again be trying to resolve the problem.

My question deals with the process through which this situation has evolved. I understand it was through the normal collective bargaining process between employees and employers that the contributions for the trust fund were agreed upon. Is there any precedent for government intervening in that collective bargaining process to do what you are asking us to do?

**Mr Hruska:** In our case it may be a little more unique than in the manufacturing trades. As we have cited to you, whereas most of the funds have people who are employed 12 months a year for 25 years, our people may work for two or three different employers in a month. To properly handle the benefit packages, and to allow for the seasonal layoffs, we established a trust fund rather than an employer-controlled fund, which companies such as Stelco, Algoma and Dofasco would have.

In order for that to be in the contract, and in order for us to simply amend our payments for OHIP and continue to meet the obligations that we have negotiated with the people, it is not quite as simple as other employers may have the opportunity to do.

**Mr Runciman:** I am just curious that in your summary you are talking about that if you do not see your concerns recognized by the government, you are going to contest the issue. I assume you mean through the courts. Have you received a legal opinion on that?

**Mr Hruska:** Yes, we have received numerous legal opinions.

**Mr Runciman:** Can you briefly summarize the views you have received?

**Mr Hruska:** In summary, basically what we have said here is that the double payments are not what it appears the legislation is attempting to do. They are attempting to cover OHIP coverage with an employer health tax levy for all of the people in the province and thereby raising the funds. To enrich a contract by a legislative process that has been negotiated is potentially—I will not say illegal, but it is a definite argument that should be brought forward to the courts.

The method on which we will contest it is probably a withholding from the trust fund equal

which will likely go to the labour board. It has already been in the media that the trades are contesting that this is their money. That will go to the labour board, and it has certainly put us on harsh grounds for negotiation come next May.

We have recognized that, and employers in this province, the painting contractors are firm in their belief that this is nothing more than a double grab on something that employees do not benefit by one little bit and it has not been negotiated that way.

**The Chair:** Thank you for your brief this morning and taking the time to appear before us. We appreciate it. As Mr Reycraft has indicated, there will be some additional meetings to attempt to address your concerns.

Our next deputation this morning is the Council of Ontario Universities. Dr Monahan is the executive director, I believe. Good morning. We have set aside 15 minutes for your presentation, including questions from the members, so you may begin when you are ready.

#### COUNCIL OF ONTARIO UNIVERSITIES

**Dr Monahan:** We appreciate the opportunity to appear before the committee.

On behalf of the provincially assisted universities of Ontario, ours is a special case. I expect you will be hearing a number of special cases as the day proceeds. We think it is a valid one and are taking this opportunity to present it to you.

#### 1040

We have a brief. It is a fairly brief brief. I have a one-page summary of it which is on the front and, if I may, I will speak to that summary. I may say in the beginning that when the new legislation was announced the adverse effects on our universities were immediately recognized by ourselves and we sought a meeting with the Treasurer to obtain some relief with respect to this. We have obtained relief for the current fiscal year, so that really what we are presenting today is a request for a permanent solution to this issue.

Referring then to the summary that we have presented, we take the stand in the beginning that universities are important institutions in the life of the province in a variety of ways and we should have the financial resources necessary to serve our mission properly. Neither our council nor any of our member institutions is opposed to the concept of an employer health tax. There are, however, some perhaps unforeseen consequences of this tax for the universities.

Consequences which are adverse are related basically to two things. This tax will add substantially to our costs as employers. We have effectively no control over our revenues; that is, we are simply not in a position to increase our income in order to offset this additional cost.

Our estimates for Ontario universities of the net cost of this new tax—that is, the tax minus the previously paid OHIP contributions—is some \$24.3 million on an annual basis, and that represents 1.3 per cent of our gross payroll expenditures.

Why these high costs? There are two factors. First of all, the salary compensation costs for universities are high. We are a labour-intensive industry. If you will, some 80 per cent of our operating expenditures goes to salaries and benefits, and because a high proportion of our employees are professionals, while they are scarcely overpaid, they do have high salaries.

Second, and this is something that is a fact, and it is not something that we are particularly overjoyed about, but because of the history of constricted revenues, mainly from government grants over the past decade or so, our fringe benefit packages do not compare all that favourably with some other large employers.

For example, the average cost to our institutions for benefits is some 11.6 per cent. If you compare that with the public service in this province, at 16.8 per cent, we are not doing all that badly by our employees, but we are not doing all that well either, and that means the movement to an employer tax has proportionately a heavier impact on us as employers.

Just to put this in some current context, we had a meeting with Mr Nixon just 10 days ago in which we discussed the financial needs of Ontario universities in the coming fiscal year. Over 95 per cent of those revenues come through a combination of government grants and tuition fees which are effectively controlled by government. Our best estimate of the increases in transfer payments plus tuition fees needed to enable our universities to, if you will, stay even next year over this year, is some 11.7 per cent.

We, of course, argued persuasively with Mr Nixon that the transfer payments should be increased by this amount. We had a genial, frank discussion. He made no commitments and we have not purchased any additional supplies or hired any additional staff, on the expectation that the increase will be 11.7. We live in hope, of course, but contained in that 11.7 is the 1.3 per cent additional cost for the employer health levy.

As I have mentioned, universities have no capacity to raise revenues because the grants and tuition fees are controlled by government. I have already noted, and this is important and we are grateful for it, the Treasurer has promised us relief from this employer tax for the first three months. That is, it has already been agreed that there will be a sum of money provided as a specific grant to the universities to cover the remainder of the current fiscal year in order to meet that additional expenditure requirement.

What we are looking for is a permanent solution to this. In our considered opinion, simply including these costs as part of the general transfer payment will disadvantage us because these transfer payments typically are applied to municipalities, hospitals, school boards, universities and colleges. Among those groups—I will leave it to the colleges to decide—the universities are in a particularly disadvantaged position. They do not have access to alternative forms of revenue and the negative cost implication of this tax on them is higher. That is our case.

Universities could be protected from the negative effects of this proposed levy either by exemption, by explicit provision for the net costs of the tax in transfer payments for 1990-91, or by a rebate program similar to the program of grants in lieu in municipal taxation. In our judgement, the latter is the preferred long-term solution to this problem that we see.

**The Chair:** Mr Daigeler, we have only about five minutes for questions; so could we be brief.

**Mr Daigeler:** Okay. Very quickly, the transfer payments to the universities collectively are not the same as those for school boards and municipalities. So I would presume that the Treasurer, who has already indicated his willingness to look at that, will take your concerns into consideration and that would reflect the special situation of the universities.

**Dr Monahan:** That is true and that is one way of dealing with it. One could go on year over year, year after year, identifying in the increase of the transfer payments that point-whatever per cent of this increase is specifically for the purpose of enabling us to defray this cost. I think



that year over year, that is likely to get lost. If you will, our preference would be for a specific exemption or a rebate.

**1050**

**Ms Bryden:** Thank you, Dr Monahan, for bringing your very large special case before us. I think it is something this committee should certainly be studying. I think all of us would probably agree that the temporary adjustment for the balance of this fiscal year is not adequate to deal with a situation where you need an 11.7 per cent increase in grants just to stay even, not to mention the new taxes possibly coming up, such as the goods and services tax or the pay equity costs.

If you do get a consideration of how this can be dealt with—you mentioned three options—which one would you prefer: explicit provision for the costs in transfer payments for 1991, a rebate program similar to the grants for municipal taxation, or some protection from the negative effects of the proposed levy? Which one would you opt for?

**Dr Monahan:** Our preference is for the rebate program. This could be, we think, a simple book entry in the same way that grants in lieu of municipal taxes are a book entry. The institutions, the universities, are exempt from municipal taxes, but the provincial government provides some funds to the municipalities in lieu of that. It is a form of rebate.

**Mr Runciman:** You may not be able to answer this briefly. You were talking about the universities' dependence on government for transfer payments and increases in tuition fees, etc. I have some sympathy for the position you have outlined today in your brief, but I am just curious. Having sat on the standing committee on public accounts for some time, the question arose, because of the significant amount of tax dollars that go into the universities in the province, how the universities would react to the Provincial Auditor's carrying out audits of the universities: value-for-money, efficiency audits, etc.

I know you are talking in your brief about your limited capacity to raise revenues, but I guess I am also concerned about the expenditure side. I am wondering—I know the question of independence of universities arises—if you have any views on that.

**Dr Monahan:** The Provincial Auditor is currently auditing universities. He has a three-year program and he is two and a third years

through that program. He is currently auditing the third university.

From the perspective of the universities, the system of block grants is a satisfactory system because it provides a requisite degree of institutional autonomy, but we do not view that as inconsistent with being accountable. We feel we ought to be properly accountable for expenditures of large sums of public money.

When the Provincial Auditor completes his third institutional audit, my sense is—this is a semi-educated guess—that he may draw from his three years' experience some general conclusions and we would then be dealing with some suggestions as to how, from his perspective, the institutions might be made more accountable. I think the institutions are quite prepared to enter that kind of discussion. It seems to me fair.

**The Chair:** Thank you very much for your brief this morning and for appearing before the committee. We appreciate it very much.

Our next presenter is the Ontario Restaurant Association: Peter Tate and Orville Rose. Good morning. We have set aside 15 minutes for both your presentation and questions back from members. Could you please begin by introducing yourself for Hansard? Go ahead whenever you are ready.

#### ONTARIO RESTAURANT ASSOCIATION

**Mr Tate:** My name is Peter Tate. I am president of the Ontario Restaurant Association.

**Mr Rose:** And I am Orville Rose. I am the executive director of the Ontario Restaurant Association.

**Mr Tate:** We appreciate the opportunity to make our very brief presentation this morning. We are here to represent the thousands of restaurants and food service establishments operating in Ontario.

Last year our industry spent \$2.4 billion on labour which makes us the largest private employer in the province.

We are here primarily to protest the proposed employer health levy tax or EHLT. We have added the T because we believe that this is truly a hidden tax. The effect of this tax on our industry will be substantial.

The majority of our businesses in our industry are small family-owned restaurants who simply cannot afford to offer these benefits. I should point out that most of our employees were covered by spouses and our part-time employees by their families under OHIP. So as you can see, it affects our industry particularly hard as it really is an additional operating expense.



In 1987, our industry employed 217,000 people, that number dropped in 1988 by four per cent to 208,000. After growing by 16 and 17 per cent respectively in the two years prior to 1988, 1989 is looking even worse for the food service industry as we appear to be heading for a type of recession.

Our industry is already heavily burdened by payroll taxes that have risen almost 90 per cent between 1981 and 1987. We are suggesting to this committee that they recommend two things in their report.

One is to broaden the tax to cover professional people who are now exempt from the act, people like lawyers, doctors, consultants and the self-employed. They really should not be subsidized by small businesses such as ours as they can well afford to pay for their share of the health plan.

Secondly, we are requesting that all businesses with payrolls under \$200,000 be exempt. It is our understanding that this would make this tax revenue neutral. Mr Nixon pointed out not too long ago that the goods and services tax should be revenue neutral, so why not his employer health levy tax?

The tax may be hidden, but it will have to be passed on to the consumer as he is the one who eventually pays for goods and services. We feel this is hiding the tax and basically unfair to the public.

It is unfair to our industry because they will lose business as they have to pass this cost along, and it is basically unfair to most of our employees because it is a new tax and expense and will affect their pay increases in 1990. This seems to us to be an inequity in the system that exempts self-employed professionals and yet levies a tax on previously exempt part-time student employees.

There is no question that this tax levy is a substantial additional cost to our industry. One large chain in Ontario, in particular, is looking at adding a burden of \$550,000 to their payroll cost next year.

Thank you for giving us the time to express our concerns to you.

**Ms Bryden:** I appreciate the Ontario Restaurant Association coming before us to present its special problems. I see that you are suggesting a \$200,000 exemption. Have you any idea how many of your restaurants in the association would benefit from that sort of an exemption?

**Mr Tate:** My guess would be somewhere between 60 and 65 per cent.

**Ms Bryden:** As you say, you are very hard hit because most of your members do not pay OHIP premiums.

**Mr Tate:** That is quite correct, we do not. A lot of the employers opt to provide group insurance programs as opposed to simply paying the OHIP premium.

**Ms Bryden:** You suggest that, perhaps, professional people should somehow or other be brought under the tax.

**Mr Tate:** We suggest that is probably a fair proposition.

**Ms Bryden:** You have to define what a payroll is in their case.

**Mr Tate:** That is right.

**Mr Carrothers:** My question may really be following on from Mrs Bryden's, but the present structure of this levy does provide for a lower tax rate for certain small businesses and also a different payment schedule, quarterly.

**Mr Tate:** That is right.

**Mr Carrothers:** I am just curious if you had a sense as to how many of your members would qualify for that much lower rate than that quarterly payment regime?

**Mr Tate:** Probably the same percentage. It is a very difficult number to get a handle on because most of them do not like to divulge that kind of information, but I would think about 60 per cent.

**Mr Carrothers:** Roughly, 60 per cent, something along that line.

**Mr Tate:** We are not suggesting that the payroll tax of 0.98 per cent, I believe it is, or \$2,000 a year is going to necessarily put anybody out of business. Our concern is that it is an additional—we are looking at unemployment insurance premiums going up next year. We seem to be the industry that gets hit the hardest with the various payroll taxes that they keep coming in with. Certainly, \$2,000 is not likely to put somebody out of business, but your small operators who have a payroll of \$100,000 or \$125,000 are going to feel the pinch. There is no question.

**1100**

**The Chair:** Those are all the questions we have for you this morning. Your brief was obviously very clear and easy to read. Thank you very much for taking the time to come this morning.

Our next presenter is the Royal Bank of Canada. You can come forward. As with the others, we have set aside 15 minutes for your presentation and questions. So we would appreciate if you would make your brief brief and leave some time for questions. Please introduce yourselves and begin when you are ready.

## ROYAL BANK OF CANADA

**Mr Gale:** My name is David Gale. I am vice-president in corporate marketing and business services. I am accompanied by Larry Kobre, group product manager, payroll products.

Before Mr Kobre begins the presentation, I would like to emphasize that we are here not as the Royal Bank of Canada, a corporate entity, but rather as the Royal Bank of Canada, a payroll service bureau which provides a payroll service to thousands of small businesses located throughout the province.

**Mr Kobre:** The Royal Bank provides payroll services to over 13,000 Canadian businesses of which over 5,000 have Ontario employees. In total, over 500,000 Ontario employees are paid by our service. In connection with our service, we calculate various payroll related taxes for our clients and remit the taxes to the appropriate taxing authorities for over 80 per cent of our customers. We expect the clients of our service will pay between \$120 and \$135 million in employer health taxes in 1990.

We have carefully examined the administrative and systems development implications of the employer health tax and are appreciative of the government's commitment to eliminate OHIP premiums and implement a system that does not impose an administrative burden on employers.

The Royal Bank is interested in seeing a smooth transition from OHIP to the EHT while keeping our clients' administrative costs to a minimum, many of whom operate small businesses. In light of this, we have several concerns that the process of calculating and remitting the amount due is unduly complicated and presents many difficulties in compliance.

Our recommendations are designed to ease the administrative burden on all concerned.

The first problem is the requirement to calculate a remittance rate each month or each quarter is inconsistent with current payroll systems capability and well beyond the scope of current payroll practices.

The architecture of most payroll systems is designed to calculate liabilities each pay period. This means the applicable rate must be known at the time each payroll is run. The formula in the bill requires each taxpayer to determine the applicable rate at the end of the month or quarter, after the payrolls are run. Since virtually all companies pay more than once a month, payroll systems would have to calculate the rate in arrears.

The systems work required to make this significant change is beyond economic reason

and certainly could not be accomplished in the next several months.

The consequence is that the Royal Bank is unable to calculate the applicable rate as required in the bill. We must tell our payroll systems in advance which rate to apply to each client when the payroll is run. For larger companies who are certain they will always be subject to the highest 1.95 per cent rate this poses no problem, but for the smaller companies eligible for lower rates we will have to advise them we are unable to perform the requisite calculation, and suggest they have to perform the calculation manually each quarter. Clearly the requirement to perform periodic rate calculations is an impediment to enabling the small company to avail itself of the lower rate.

Another reason the rate calculation approach is flawed is because it quite common for medium and larger corporations to have several payrolls for various groups of employees, that is, hourly employees are paid weekly, salaried employees paid biweekly and executive or commissioned employees paid monthly. It is entirely possible for each of these groups, by applying the formula called for in the bill, to calculate a remittance at three different rates, but collectively be required to remit at the higher rate. This means that even if we did have the capability to calculate each rate in arrears, many payrolls would still end up having their tax liability calculated at the wrong rate.

Once again, the systems programming work required to identify such linkages in arrears is beyond economic justification.

In short, a system that requires the rate of payroll taxation to be determined as much as three months after the fact is an administrative nightmare.

Our recommendation is that since payroll systems are designed to calculate tax liabilities at the time the payroll is run, each employer make tax remittances in 1990 at a fixed rate based on 1988 Ontario remuneration. A reconciliation should be submitted as proposed in the bill to determine the actual rate for 1990 and any additional payments or refunds can be determined at that time.

Revenue Canada and Revenue Quebec have implemented source deduction systems that recognize the need for stability. In both their cases remittance frequency is based on prior year experience and remains static for the year. We believe the same principle should apply to EHT, namely, a company shall remit at a predetermined rate for the entire year and not be subject to monthly or quarterly rate fluctuations.



This position was put forward in a proposal by the Canadian Payroll Association in July of this year, and we are disappointed it has not been adopted. The benefit of it would be that payroll systems can easily handle the calculation without additional complex software.

The second problem relates to the option to make a 15 January payment on an estimate, and we understand that this is under active consideration.

Payroll systems perform exact calculations based on available data and have no capability to perform estimates of liabilities due to future events. Such a requirement leaves the taxation system open to abuse and does not address the fact that many companies allocate their payroll expenses to labour cost systems on a job-by-job basis. Estimates would contaminate such systems and exacerbate the administrative workload.

In the case of payroll service bureaus, we do not have the basis on which to perform such estimates and cannot poll 5,000 clients and manually enter such data. Such a task is totally counterproductive when a reasonable automated solution is available.

We recommend that the first remittance for larger taxpayers be due on 15 February 1990, based on January remuneration. The benefit would be that all taxpayers will be able to accurately calculate their obligations and maintain the integrity of their labour cost systems.

The third problem relates to the requirement to calculate a 15 January 1990 payment based on December 1989 remuneration.

We will be unable to perform the EHT calculation for the roughly 1,500 companies that begin to use our service on the first of each year. January 1 is traditionally the easiest time for companies to change payroll preparation providers, whether that service is done internally or provided externally, because there is no need to carry year-to-date figures forward. Simply put, we would not have the necessary data to perform the calculation.

Since the 15 January 1990 payment is a deposit against 1990 obligations, it would follow a calculation process wholly inconsistent with that followed by all other taxing authorities; namely, that taxes are calculated in one period and remitted at some reasonable time thereafter. A 15 January remittance of a January obligation using December remuneration for calculation purposes introduces the element of chance into the process. The proximity of a company's final

obligation to its interim deposit will be reduced to a matter of luck.

Our recommendation is that the annual remittance schedule require top-tier monthly remittances starting 15 February 1990 based on January remuneration and continue monthly to 15 January 1991. The quarterly remittances would be made, as the bill proposes, on 15 April, July, October and January.

Our final concern relates to the use of a unique EHT company identification number.

The requirement at this late date to collect unique EHT remittance numbers from our clients is a significant administrative task. This entails systems programming work to create fields to store such data but, more important, creates an administrative problem of communicating with and collecting these new numbers from our clients. Our experience with source deduction remittance requirements leads us to believe the collecting of such information from a considerable body of companies is extremely difficult in a short period of time, especially due to the concurrent changes in federal and Quebec rules.

We recommend the use of Revenue Canada taxation numbers, which are already in place. We see little need to create a new numbering system, with all the associated administrative work. The benefit would be considerable reduction in administrative work for payroll service bureaus and the avoidance of the possibility that we will deposit a considerable sum of "unapplied cash" with the first remittance.

In summary, we are very much committed to continuing to retain and remit payroll taxes. Such a service is widely desired by our small business clients. Equally important from your perspective is the considerable benefit to the Ministry of Revenue, which is relieved of the substantial potential collection activity because of the discipline involved in having the bank collect the funds and remit on due date. However, such a service can only be effective if the administrative rules provide the framework for a workable solution and that there exist some equilibrium between the government's cash management objectives and the administrative burden it imposes on the taxpayer.

The current version of Bill 47 does not provide such a framework, and we are not confident at this point that we can participate to assist our small business clients to conform to the rules as drafted.

**Ms Bryden:** I really appreciate your bringing before us the technical problems connected with collection of this tax through payroll deductions.



Your experience in your business of running payroll deduction systems certainly is something the government should be looking very closely at. I think you do find out a number of very serious administrative flaws that perhaps could be simplified. I do like your conclusion that there should be a workable solution for many of these problems and there should exist some equilibrium between the government's cash management objectives and the administrative burden it imposes on the taxpayer. I think this committee would welcome that as a principle.

I would like to ask, though, if you have actually discussed these four or five significant changes with the officials of the Revenue ministry and found out what their reaction is to each of them, and whether they would be interested in considering working with you in developing some of them more fully.

1110

**Mr Kobre:** Yes, I had several conversations over the telephone with members of the ministry in Oshawa, Mr Bollmann and Mr Evans. They appeared quite sympathetic to the administrative problems, but apparently their reaction was not sufficient to work its way into an amendment to the bill.

**Ms Bryden:** That would be crucial if we are going to get some of them looked after before the bill goes into effect.

**Mr Daigeler:** Speaking for the ministry, you are quite correct that the ministry has received your concerns and, I think, is generally sympathetic to them. I am advised, though, that there is already a provision in the bill with regard especially to your first recommendation that would allow either a calculated rate or a predetermined fixed rate, so it does not really require an amendment to the bill at the present time. But on principle, I think, especially with regard to your first recommendation, the ministry is prepared to look at it.

I am wondering a little bit, though, why this seems to be causing such difficulty for you, whereas apparently the Toronto-Dominion payroll services have already implemented, or are in the process of pretty well finishing the implementation of the suggested employee health tax rate.

**Mr Kobre:** I cannot speak for the Toronto-Dominion Bank, sir. I am not familiar with just what their process is. I just know that from our perspective, to implement a system that requires a calculation of the rate in arrears is very difficult, and as I said in the other parts, there are

considerable difficulties in performing these calculations. But again, I cannot speak for another bank.

**Mr Sterling:** In your summary you indicated Bill 47 does not provide the necessary framework that would be needed. Can you suggest amendments to the bill to us so that we might be able to—I mean, it is a fairly technical matter, and I do not understand everything you do obviously, because you are very sound in the brief. You at least sound as if you know what you are talking about. We try that all the time.

At any rate, perhaps you could suggest amendments to us so that we could put them forward on your behalf and make the arguments that you place here. If you would do that, we would appreciate that. My question is, I guess, somewhat similar to Mr Daigeler's. If we implemented the suggestions you are putting forward, would there be objections from other parts of the business community?

**Mr Kobre:** I believe the Canadian Payroll Association, which represents a considerable body of companies in the province, will be putting forth similar recommendations to this in a brief that its officials have indicated to me yesterday they will be providing to the committee. So I think there is some consensus among payroll providers that from an administrative point of view, the things we are raising are global in nature and not just confined to the Royal Bank of Canada.

What we have done in the interim is sent out a request to all of our clients who subscribe to our service who have Ontario employees to indicate which rate category they feel they are in. Any of those who indicate they are confident they will be in the highest rate bracket, 1.95, we would be able, on their behalf, if they are on our service on 1 December, to do their calculation.

We will not be able to perform a calculation for those who qualify for the lower rates, even though it is due next April, because we just do not have the calculation capability to look to payrolls that were run three months ago to determine just what their level of payrolls are. We will be able to accommodate those of the larger companies, but our biggest concern is that we will not be able to accommodate the smaller companies.

**Mr Sterling:** Mr Chairman, for the sake of brevity, I would like to request of the representative from the ministry a written response to this brief as to the technical problems it raises so that the committee can consider, when we are dealing on a clause-by-clause basis of this bill, whether or not those technical objections have been met.

**The Chair:** The parliamentary assistant is indicating he will arrange for that to be done. Thanks for coming this morning, gentlemen. We appreciate your brief and your time.

Our next presenters will be on both Bill 46 and Bill 47, the Retail Council of Canada. We have set aside 30 minutes for this presentation since it will be on both bills. I would like to welcome you this morning.

**Mr McKichan:** Thank you, Mr Chairman.

**The Chair:** I ask you, for the purposes of electronic Hansard, to introduce yourselves and use your 30 minutes as you see fit, but we would like to include our questions in that time frame as well.

#### RETAIL COUNCIL OF CANADA

**Mr McKichan:** Thank you. My name is Alasdair McKichan. I am the president of the Retail Council of Canada. With me today, on my far left, is Richard Niblett, who is vice-president of real estate of Kinney Shoes of Canada Ltd. On my immediate left is Robin Boys, who is vice-president of finance with Shoppers Drug Mart. Mr Boys's organization, of course, represents numerous independent pharmacists who are affiliated with the organization. On my immediate right is Peter Woolford, vice-president of the Retail Council of Canada.

We would like, if we may, to spend proportionately more of our time on Bill 46 than on Bill 47. That is not in any way to denigrate the importance of Bill 47 to our industry, but rather the things we have to say on Bill 46 are, in essence, unique to our industry, whereas the comments we will make on Bill 47, I imagine, may be replicated or paralleled by other business associations.

Perhaps, Mr Chairman, we may pause after my summary of remarks on Bill 46 for questions so that we can exhaust that before we go on to the next submission, if that is the wish of the committee.

**The Chair:** My concern is that we may not get to the next submission. I would suggest you make your presentation and members can make note of their questions and come back to you.

**Mr McKichan:** Okay, thank you. Bill 46 affects our industry in a unique way, and to us, it is an extremely serious and essentially negative result, not so much because of the principle of the bill, the purpose of which we acknowledge and agree is an appropriate way of taxing the unusual expense of a major metropolitan area, but rather because of the manner in which the expense is

allocated among taxpayers, and particularly within our industry.

While we represent something like 70 per cent of the total retail trade, in this instance we are speaking very directly for the approximately 7,000 stores which we understand are likely to be affected by this bill. The effect of the bill is not simply to apply a levy of \$1 per square foot on the space occupied by retail stores which happen to be located in larger malls and buildings. Rather, it is to apply a multiplier of that amount, which, in many instances we have seen, perhaps in the majority, will constitute a multiplier of two or three or even four times the \$1 levy.

When that is translated into the profitability of the companies concerned, the levy is of enormous dimensions; I would say frightening dimensions. I would like, if I may, to refer the members of the committee to the appendices to the first part of our submission. You will see our submission is a flip-flop arrangement, and Bill 46 is on one side.

**The Chair:** You should not use the term "flip-flop" here.

**Mr McKichan:** I understand it may be sensitive in this particular building. I would refer you, first of all, to the appendix labelled "Company A." You will see there the effects of the levy on a company which occupies relatively large areas of square footage in major malls in the greater Toronto area. Stores of this company which are affected are labelled A, B, C and D. Two of them are in the profit-making situation, two of them are in the loss-making situation. But in each case, you will see where we have assumed, on the bottom part of the page, in the first instance, a concentration levy at \$3 per square foot, which would be the effect of the multiplier, which I will touch on in a moment, and then a concentration levy of \$2 per square foot. In each case, you will see that the effect of that levy has a profound effect on the profitability of the stores quite disproportionate to what you might assume was the effect of \$1 per square foot.

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If you then pass to company B, which is a small store—and these are all, by the way, actual figures of operating companies relating to their results of last year—you will see that here is a company which, with sales of \$659,000, was doing \$188 per square foot, which is quite a good sales figure. With a gross margin of \$323,000, they ended up with a net profit of \$33,500, giving them a return of 5.1 per cent on sales, which in the trade is a very good return.



a square foot, that drops to a profit to \$23,000. If the concentration levy, by reason of the multiplier, were \$2, it would be \$26,000. But you see that we are talking about variances in net profit of something like 30 per cent or 40 per cent, and it was our belief that neither the Treasurer (Mr R. F. Nixon) nor his department had an understanding of what the effect would be when this tax was conceived.

To go on with company B, you will see the same type of effect, a net profit of 2.5 per cent in sales dropping to either 1.8 per cent or 1.5 per cent. With company C, it is the same sort of story.

If I may revert to the text of our submission, I will be speaking to the items on pages 2, 3, 4 and subsequently. The reason for this magnification or exaggeration of the text is simply that within a typical regional mall, provisions in the leases are that the tenants in what is referred to as the ancillary space—that is, the space around the mall as opposed to the anchor stores—bear among them the common area costs of the mall and most of the taxes which are levied against the centre as a whole. This is because, to get the mall off the ground, the developers usually have to negotiate with the major tenants a lease which excuses them from many of the operating costs and the

question of economics as far as the developer is concerned, but the result is that the bulk of the taxes and any increments in taxes fall on the small tenant.

You can imagine that they are exceptionally exercised by the effect of this tax. They regard it as unfair and discriminatory. They will not be able to pass it on in increased pricing because, after all, every one of these stores is in competition with other types of stores that are not in major malls or with the department stores, which are relatively insulated from the effects of the levy. It will, we suggest, come directly out of their bottom line, directly out of their profitability.

The fact that this particular industry is not in a particularly robust condition, including those stores that are tenants in major malls, is outlined in a paper which we append from Geoffrey Moore, who is a leading commentator and expert on the commercial shopping centre leasing business in Canada. Quite by coincidence, before this tax was made public he delivered a paper to a convention in Toronto commenting on that very thing. I commend the text of that paper,

which is appended, to the members of the committee.

What we suggest is that rather than approach the tax in this way, our first preference would be to see another method completely to raise the revenue such as an additional levy on the gasoline tax, which after all would have the effect of altering behaviour as well as collecting tax from those who are the actual contributors to the congestion and concentration in the city.

Alternatively, we suggest that if the tax continues to be levied on those who occupy space, it be collected evenly from all the retailers in Toronto, because the irony is that the shopping centre does not cause concentration and congestion; rather, it reduces it. The figures are that in the case of a regional centre, something like 80 per cent of the customers come to the centre from within a radius of five miles of that centre. Instead of driving downtown, customers are attracted to their neighbourhoods.

In the case of a community centre, smaller-type centres, the figure is that 80 per cent come from within three miles—again, a substantial contribution to dealing with the problem of congestion, not the cause of the problem of congestion. As we suggest, we believe that if we stick with the tax, at least it should be divided evenly so that in that instance the expectation is it will eventually be recovered through pricing, as are most other costs. Under this situation, it will not be.

Let me turn now to our other submission on Bill 47. Our point there, I think, is similar to those you have heard from other employers. I would just touch on three aspects of our situation, two of which distinguish us from other organizations.

First is the fact that we are, as an industry, extremely labour-intensive, so the effects of this legislation will fall with more severity on our trade, and eventually on the employees of our businesses, than on others. Second, we regret the effect of the change that will shift attention away completely from any form of user-related payments to a payment which is spread over the whole working population. That, to our mind, is a retrograde step because it is only slightly fanciful to imagine that within the foreseeable future a huge percentage of the gross provincial product could be absorbed by health care costs.

We think the time is now to focus more attention of the individual on the fact that health costs cannot be expanded for ever. There has to be some correlation between use and the ability of the province to sustain these types of costs. We



urge consideration of some sort of linkage between the two, taking account of the fact that of course the least advantaged members of the population cannot be expected to bear that burden.

Last, we would make the point that there does seem to be an element of overlap, a double-charging, in the three months during which employers have already made payments in relation to this obligation.

I would like to rest our position there and respond to questions.

**Mr Carrothers:** I want to thank the council for coming in and speaking to us because I think you have raised a number of comments that are of great interest to the committee.

I want to concentrate on Bill 46 and return to your discussion of shopping malls. Shopping malls have higher rents per square foot than other areas. They often have percentage rents and a whole bunch of other things which, to my experience, have been justified on the basis that if you are in a mall you get more traffic, do better business and therefore it is a preferred place to be. Given that the tax we are speaking about in Bill 46 is not a volume-based tax, is not based on the amount of business done in a store but really on the size, would not that extra traffic that a mall generates cover what is obviously going to be a slightly higher cost?

**Mr McKichan:** Absolutely not.

**Mr Carrothers:** In the overall flow through these stores, why it is not covered.

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**Mr McKichan:** I would suggest absolutely not. The increased volume you expect to do is reflected in the extra rent you are already paying, but when a new tax is imposed on top of that you then disturb the economics, because in going into that centre the tenant has anticipated the extra volume and has paid a premium for that volume through a much higher rent than he might pay in a lesser location.

When this extra tax is imposed, as I say, it is a multiplier. It is not \$1 a square foot; it is \$2 or \$3. That retailer is in competition with retailers in strip malls, street locations and so on, and department stores that are not going to be really affected so much. The individual will not be able to raise his price to recover that extra tax. It will in fact come directly from his bottom line.

**Mr Carrothers:** The multiplier you talk about, I guess, is a function of the lease.

**Mr McKichan:** It is a function of the lease, but the retailer is bound by it, and of course the

landlord in turn has made all his arrangements with his lenders and the people who have financed the building of the centre in recognition of the fact that provision is there. The landlord may not have any freedom to move on that situation.

**The Chair:** I am sorry. We do not have time to allow for supplementaries. We said that at the beginning.

**Mr Carrothers:** Thank you.

**The Chair:** I have three other questioners.

**Ms Bryden:** I appreciate the retail council coming in and drawing to our attention these very serious problems stemming from this proposed brand-new tax to produce money for infrastructure. That seems to be the objective. I think you have brought to our attention particularly the fact that it is highly discriminatory between different kinds of retailers, and is especially discriminatory for those who operate in malls where they are under contracts and competitive pressures that will not enable them to pass on the tax.

I think you are right that we should refer back to the administrative people who are designing this brand-new tax to look more carefully at its incidence on the retailers who will be paying for it. I welcome your approach to a new tax saying it should be fair and should not be discriminatory. I think that is what we have to aim at, to develop a revised tax, if we are going to have this tax at all, that will be fair between different retailers.

I would like to ask you, do you think the other retailers who are not in malls or who are not small businesses will pass on this tax to their customers?

**Mr McKichan:** I think the reality is that when any new tax or any new expense falls on the retail industry, the history is that eventually it gets passed on, but it does not get passed on immediately; it gets passed on somewhat unevenly according to the strength of the competition. I would distinguish this particular tax because it is only going to be applicable to a sector of the retail population, so competition will not exert its usual role, and in fact the stores in the malls will have to sustain it.

**Ms Bryden:** Do you consider geographic discrimination in taxes?

**Mr McKichan:** On this, I would suggest that the malls that are paying the tax are geographically spread over the whole community, so there will not be a case of there being particular pockets where the tax applies against other pockets. It will be a whole series of competitive

discriminatory situations pretty well evenly spread throughout the region.

**Mr Runciman:** I really have not thought this out, but one of the suggestions you were making was an additional gas tax. I guess it personally would not strike me as appropriate because that has implications for a great many other sectors of the economy as well, as you can appreciate.

Perhaps you have not looked at this and will not be able to respond to it—I am not sure if the government has and I am not confident that it is practical in any event—but we are talking about the problems of infrastructure and the traffic congestion in the greater Toronto area, gridlock from 7 am to 7 pm, etc., and the pollution generated by those automobiles.

It seems to me it might be more appropriate for the government of the day to take a look—again, I am not sure whether this is realistic—at the suggestion of toll roads. Then you are really dealing effectively with the people who are generating and creating these problems. I am not sure what the tax take would be if that were looked at closely, but I suggest it could be considerably more than the projected take of this tax and would impact on the people who are really utilizing the infrastructure, causing the traffic congestion, creating increased pollution problems in the GTA. I would like to hear your reaction to that.

**Mr McKichan:** We do not purport to be experts on the economics of toll roads, but we certainly feel there must be alternatives looked at very seriously other than this one that is so patently discriminatory. If one were to set out to design a discriminatory tax, I cannot imagine one that would be more discriminatory in the retail trade than this one. It seems to me we should not be at all lethargic, but for the sense of urgency should explore all the alternatives because there must be better alternatives than this one.

**Mr Sterling:** I have a little bit of a problem in terms of the \$1 being a universally applied tax. I would assume that if you had a store in the Eaton Centre downtown, your ability to swallow this kind of increase would perhaps be better than if you had a store in some outlying area where the traffic volume was not as great. Therefore, I think there is an in-built prejudice in terms of striking a universal rate across the whole greater Toronto area.

Second, on your suggestion with regard to the retail owners all being taxed in some manner, would it answer your concern if the legislation were amended whereby the owner was required to levy the \$1 evenly among all his tenants,

notwithstanding lease arrangements, on a proportional basis to the square footage they occupy?

**Mr McKichan:** Let me respond to the first part of your question first, Mr Sterling, and then the second. In the case you cite in the Eaton Centre, the levy being borne by the tenant in the Eaton Centre would not be \$1 a square foot. I suggest it would have one of the highest multiples. It would probably be \$4 or \$5 a square foot.

If the same amount of money that is being looked for from the retail sector were applied evenly across all retail in the greater Toronto region, it would not be \$1 a square foot; it would probably be 30 cents a square foot. We would be looking at a differential one fifteenth as great as that the tenant in the Eaton Centre was being asked to pay. I suggest that, say, 30 cents or even 50 cents a square foot would not be a tremendous burden if it were applied across every retailer, with the knowledge that pricing policies or competition would probably allow you to recover that within a year or two years or so as competition worked out.

**Mr Sterling:** I am sorry; I do not understand. How does it get below \$1?

**Mr McKichan:** Instead of dealing with 7,000 stores, which are affected by this provision, you would be dealing with the 27,000, 28,000 or 29,000 stores in the region. If you were looking for the same amount of money from the retail sector and applied it against three or four times the square footage, I suggest you would be able to drop the rate.

**Mr Sterling:** How are they excluded? How are the other stores excluded?

**Mr McKichan:** Because they are not in shopping centres. The current provision only applies to stores in shopping centres of over 200,000 square feet.

On the second part of Mr Sterling's question, refresh my memory, Mr Sterling.

**Mr Sterling:** Basically, I was saying that Eaton's, assuming it is the anchor tenant, would be forced in the legislation to pay its fair share notwithstanding the provisions of its lease.

**Mr McKichan:** I am sure you might not get an uproariously enthusiastic response from the major tenants who at present enjoy the results of their negotiations with the developers, but so far as evening out competition is concerned, it would certainly affect that.

However, I do not want to speak to the ramifications because I am not familiar with



them, what that would do within the arrangements of the shopping centre itself with its lenders and so on. But certainly, addressing the point of equity, it would make for a more equitable environment among the tenants, less equitable then if it were spread completely over everyone in the area.

**Mr Daigeler:** I would like to move on to the other bill, to the employer health tax. You are really saying it is just one more burden on the retail sector as on business generally, but I presume you are aware that even with the EHT it will still cover only about 16 per cent of our total health care costs in the province. I was rather interested to note that you are proposing the concept of user fees. Is it the official position of the Retail Council of Canada that you feel we should move away from the principle of medicare and reintroduce user fees?

**Mr McKichan:** We think the inevitability is that unless medical costs are going to consume the whole provincial product—if you project forward the current projections long enough, that will occur—you have to contemplate some relatively arbitrary and some relatively drastic action. Obviously, it has to be designed with sensitivity and it has to protect the members of society who are least able to bear any additional costs, but with these qualifications, it is the position of the Retail Council of Canada. We have to step up to and address this problem before it destroys our economy.

**Ms Bryden:** I appreciate a chance to also ask you about Bill 47 because I know it is one that affects all of you. How many of your members now pay all or part of OHIP premiums?

**Mr McKichan:** I cannot tell you a percentage, but a significant number do. It tends to be those more profitable companies and often it is those larger companies that are best equipped to do that.

**Ms Bryden:** So it will be a larger burden on small businesses?

**Mr McKichan:** Yes.

**Ms Bryden:** Also, do you regard the tax as fair, since it is really a very heavy burden on labour-intensive industries as compared to firms that may have much larger profits but are not labour intensive?

**Mr McKichan:** That is one of the points we make. Of course, we are one of the most labour-intensive of all industries so the change affects our members proportionately more than many other members of the community.

**Ms Bryden:** Do you have an alternative for replacing OHIP premiums by any other form of taxation?

**Mr Daigeler:** User fees, he says.

**Mr McKichan:** We have made a suggestion, as much to have some realistic limitation on the inappropriate use of medical services, we suggest that there should be a linkage between usage and use of the service.

**The Chair:** We have time for one brief question from Mr Carrothers.

**Mr Carrothers:** Is it on the record?

**The Chair:** It certainly is.

**Mr Carrothers:** I wonder if you could expand on something you said which intrigued me about shopping malls and the distance from which they draw their customers. You have indicated you were supportive of the principle of the bill; the idea that we would be levying, really, a cost for the extraordinary transportation costs in the greater Toronto area against those types of economic activities that basically benefited from it and depended on it.

When I look at malls and look at my own shopping trends and look at the marketing strategies, at least at some of the malls, they appear to be trying to appeal to the whole area. I look at some malls that advertise themselves as fashion centres, "Come on in, we have all kinds of fashion."

Is there not a strata or a double layer of malls? Surely there must be some malls that are marketing, that draw their customers from all over, or at least from a large area. I always understood that. You talked about regional malls, you then obviously have the neighbourhood malls, but is not this tax aimed really at those regional malls, those ones drawing people from a long distance?

**Mr McKichan:** In point of fact, even the regional malls, as we indicate, on average have 80 per cent of their customers within five miles and some of them position themselves as a specialty. In these cases they may well draw a larger percentage of their customer population from further distances. But when you are looking at the whole picture, they are reducers of traffic rather than the creators of traffic. You might like to hear from my colleague Mr Niblett, whose specialty this is. He can amplify what I have been saying.

**Mr Niblett:** What ends up happening in the majority of shopping centres we are in is that although the landlord tries to merchandise it to a point where we will draw from a larger area, it



does not draw to the degree that he would like, certainly in a 10 to 15 per cent interval that may occur in that nature. If that indeed were the case, we would not locate multiples of stores in relative proximity. In Mississauga you have things like Sheridan Place, Square One Shopping Centre and Erin Mills Town Centre in relative proximity. We have a number of duplicate stores in each of those instances.

Obviously, Erin Mills is a relatively new one. If you are talking about a shopping centre which would be of the nature of a Scarborough Town Centre or a Yorkdale Shopping Centre where there is a subway or a light rail transit which theoretically should or could pull from a wider area, there is no question.

The majority of major centres obviously will locate themselves in proximity, preferably, to a major arterial route. Obviously, if you have access to that, you should open the range that you should draw from. However, in a very competitive environment such as the areas we are talking about there is not a need to draw those distances. In reality, you are not getting a significantly different merchandising mix from one centre to another and you are not getting the people driving as far as you are assuming them to do. I do not believe that to be the case.

**The Chair:** Thank you very much. I would like to thank the Retail Council of Canada for your presentation and your very comprehensive brief. We appreciate your taking the time.

That concludes the deputations for this morning. I would like to suggest a couple of things. First of all, we are back at 3:30 following question period. We have a very busy agenda this afternoon, so I would ask members to please try and be here by 3:30 so that we can start on time.

I would like to, if you have a moment, Mr Sterling, talk about the scheduling because we have some 17 groups that so far we have had to turn down in our scheduling because we cannot agree on an extra day. We have permission from the Legislature. The three House leaders concurred that we could sit up to two additional sitting days if we could get some concurrence from the committee. I would like us to discuss that before we go back up to the Legislature this morning.

**Mr Sterling:** I would like to discuss it, but I am substituting for Mrs Cunningham today. I am not really the person who could speak for her, unfortunately.

**The Chair:** Could I ask you to take it to either her or someone else?

**Mr Sterling:** Yes. What are the suggestions?

**The Chair:** We are prepared to meet virtually at any time.

**Mr Daigeler:** Before 7 December.

**The Chair:** Yes, there is a bottom-line schedule that we want to be in the clause-by-clause stage on 7 December.

**Mr Daigeler:** Which was agreed upon by this committee.

**The Chair:** We suggested 27 November, which is a Monday. We could go through the evening on that day as well. The committee would be authorized to have dinner brought in and sit through dinner. We could do that either on 27 November or the following Monday. Tuesday 28 November was another day that I think was agreed to by the Liberal group and the New Democratic Party group, but we did not get a concurrence yet. Failing that, some other suggestion, because I think most members of the committee are prepared to be as flexible as possible.

**Mr Sterling:** What date is the following Monday?

**The Chair:** That is 4 December.

**Mr Sterling:** Is that an afternoon and evening sitting?

**Mr Daigeler:** Afternoon and evening.

**Mr Sterling:** And there are 17 groups?

**The Chair:** That we have not been able to schedule in.

**Mr Sterling:** How much time?

**The Chair:** We still have until tomorrow. We could get another five or six groups.

**Mr Sterling:** How many hours are we looking at in total?

**Mr Daigeler:** It is two sittings.

**The Chair:** We could do it in one day, I believe. If we sat on 27 November or 4 December in the afternoon, following routine proceedings, and in the evening, we could handle all of the groups that are here. If you folks, due to scheduling problems, are not able to find the time, the other option is for you to concur that the committee sit with as many members as possible to hear the deputations. Then at least you would have the written copy and Hansard and it would give those groups an opportunity to have their say.

We are very much in your hands and Mrs Cunningham's and her schedule.

**Mr Sterling:** What is happening is that Dianne's son, as you know, is quite sick. I do not

think we can count on her participating very much. I will have to speak to Mr Runciman about it.

**The Chair:** If you cannot find the time, if you would consider a request for me at least to allow us to have those hearings.

**Mr Sterling:** Yes, I think that is reasonable from my point of view.

**Ms Bryden:** How many are left from these groups?

**The Chair:** There are 17 that we have not been able to schedule and we have the potential for more groups up until tomorrow, the cutoff day. So we could get another half dozen or whatever by tomorrow. Okay?

**Mr Daigeler:** And that is to replace the regular sitting that we had scheduled for 30 November.

**The Chair:** Right, because the House is not sitting that day. That is what happened; we lost a day on 30 November because the House is not sitting that day.

**Mr Daigeler:** And the House has given us the authority to meet at these other times at our discretion.

**The Chair:** We will recess until 3:30 this afternoon.

The committee recessed at 1151.

## AFTERNOON SITTING

The committee met at 1533 in room 151.

**COMMERCIAL CONCENTRATION TAX  
ACT, 1989**  
(continued)

**EMPLOYER HEALTH TAX ACT, 1989**  
(continued)

Consideration of Bill 46, An Act to establish a Commercial Concentration Tax, and Bill 47, An Act to impose a Tax on Employers for the purpose of providing for Health Care and to revise the requirements respecting the payment of Premiums under the Health Insurance Act.

**The Chair:** I think we will begin. I will make the decision to go even though we do not have any members of the Conservative caucus here. Presumably they will be along, but we are on a very tight schedule, as members know.

I should say for those people here for the presentations this afternoon that we have very limited time, so if you have a 30-minute slot, that is exactly what you will have, maximum, or a 15-minute slot; we must try to hold to that if we possibly can. We will be allowing one question per caucus unless we wind up with some additional time as we go. The reason for that is our limited sitting time and the large number of people who have requested an opportunity to appear.

Our first deputation is the Board of Trade of Metropolitan Toronto, if I could ask you to come forward. We have set aside 30 minutes for your presentation, which hopefully will include time for questions by members of the committee, but it is your 30 minutes, so you can use it as you see fit.

**BOARD OF TRADE OF  
METROPOLITAN TORONTO**

**Mr Hall:** We are very pleased to be able to come here and present our concerns with these two bills.

**The Chair:** Perhaps you could introduce yourselves.

**Mr Hall:** Yes. Thank you. On my immediate left is Kate Phillips, who is an associate of Hatch Associates. On her left is Gord Carpenter, who is the property tax manager for Bell Canada. On his left is Bob Doty, who is the retired regional manager of the CNR. On my right is Michael Ward, who is the director of property assessments for Hudson's Bay Co. I am Ted Hall. I am

manager of taxation of Hudson's Bay Co and I am a member of the council of the Board of Trade of Metropolitan Toronto.

Our main concern is the impact of high taxes and what it is going to do to employment, not only in the greater Toronto area but in Ontario. What we see is corporations making the decision that all the costs connected with locating in Toronto are now getting out of hand and that they have to relocate somewhere else. Usually a head office operation will not choose to relocate somewhere just outside the greater Toronto area, it will locate in some other city in Canada.

I would like to cite specifically the Trans-Canada PipeLines Ltd decision recently to transfer its head office to Calgary, which is going to cost Toronto 700 jobs, and although certainly I cannot say it was because of these proposed taxes, in the not-too-distant past Shell Canada moved 1,200 jobs out of Toronto three or four years ago.

So we would like to bring these concerns to your committee. First of all, I would like to ask Michael Ward to deal with the commercial concentration tax.

**Mr Ward:** The board of trade feels that the commercial concentration tax is an arbitrary tax that was, unfortunately, created and announced without any prior consultation with the group to be taxed. We feel it is discriminatory. It is a capricious tax that will fall on some and not on others and will do so in an erratic and unpredictable way.

The CCT is ostensibly intended to be paid by the owners of large properties who benefit from urban infrastructure that is at least partially funded from the public purse. However, the CCT will be largely passed through to the occupants of these large buildings and shopping centres under the terms of existing leases. This pass-through means that the CCT will fall on many small business operators in the greater Toronto area who are unable to adjust their prices for their goods and services sufficiently to recover the tax.

**The Chair:** Sorry; are you reading from something that we have?

**Mr Ward:** No, sir, I am not.

**The Chair:** Oh, okay, fine.

**Mr Ward:** I have some notes, but—

**Mr Hall:** I might say that we have supplied you with copies of our response to the budget,



which we made in June of this year, and our comments now are slightly updated from that.

**The Chair:** I see. Do you have a hard copy to leave with the committee?

**Mr Hall:** Unfortunately, no.

**The Chair:** Okay. Thank you.

**Mr Ward:** The small business operators in these large buildings and shopping centres will basically bear the tax themselves, because it is almost impossible for them to adjust their selling prices sufficiently to reflect the additional operating costs and therefore their bottom-line return will be eroded.

As a long-time tax practitioner myself, it troubles me that the commercial concentration tax is not an ad valorem tax—that is, based on the value of an asset being taxed on value—it is on purely physical criteria and therefore a major departure from the historical basis for property taxation in Ontario.

The CCT, being payable to the province, is an invasion of a tax field previously solely occupied by municipal and school authorities.

I might digress to say that in a previous government a minister made the statement that property tax is and should continue to be the exclusive tax source for municipal governments.

The CCT uses up tax room that could otherwise be used to fund services at the local level.

We feel that if the province is determined to proceed with the commercial concentration tax, the committee should consider having it apply to all properties so as to alleviate its discriminatory nature and broaden the base so that the rate could be made much lower.

In view of the uncertain amount of revenue the CCT will raise, and quite frankly, we feel that the estimate contained in the budget working papers of \$125 million is too low, the board feels a sunset provision should be included in the act so as to make the renewal of the CCT and its rate an annual exercise so that the Legislature has an opportunity to evaluate the impact of the tax on a yearly basis.

To conclude, the board feels that the cumulative effect of a commercial concentration tax, coming on top of the existing municipal and school taxes and business taxes, which we must remember is a surtax on business operation, is to place a crippling burden on the bulk of business operations located in the greater Toronto area, particularly the small business entrepreneur in shopping centres and in downtown retail courses.

**Mr Hall:** I would like to ask Kate Phillips to comment on the employer health tax.

**Ms Phillips:** Let me start by saying that the board does not oppose the old system of OHIP premiums, which allowed the electorate to monitor the actual cost of health care in the province. One of our concerns is that the view and the monitoring of health care is now going to be hidden from the electorate and this is going to make monitoring very difficult, but the board is concerned with the equity of this new proposed tax.

The rationale in the budget for this levy was to improve access to health care for low-income people, a need that really has been largely fulfilled by increased premium assistance levels in the not-too-distant past. It is no longer sufficient for the province to say that it cannot cover its health care commitments because of a reduction in federal program financing. The province has a pecuniary responsibility to budget its resources wisely to meet its social obligations.

It is difficult to view the new levy as anything other than a cash cow for the Ontario government when we examine the figures and we see that a \$1.8-billion OHIP premium is being eliminated and replaced by a \$2.1-billion employer health levy, all of which must be shouldered by business. This \$300-million windfall indicates to the electorate the money-making possibilities that are envisioned by the government, and we have to view this as the thin edge of the wedge and we really have to question what comes next.

The attempt to balance contributions by increasing the personal tax rate does not soften the blow to the Ontario business sector. They will be contributing seven times as much as individuals. This really assumes that 100 per cent of this personal tax increase revenue is going to be applied against the health care budget. Nowhere is that ever stated in the budget and we have no verification of that. The board is concerned that the revenue generated from the levy may only go into general revenue of the province and we might never see an actual reduction in health care deficits.

The companies that are going to bear the biggest burden of this new levy will be those that are most generous with their salaries. Because it is a flat tax that is being applied, it will mean that those who are less generous with their salaries will not have to remit as much to the government. The cost, though, eventually does get passed on. The cost either gets passed on to the consumer or it gets passed on to the employees through a reduction in their salary increases in later years.

We must also be concerned about small businesses. Remember, they are the ones that generate the most in new job creation and we are concerned that this will result in either a decrease in new job creations or it will encourage staff cuts.

In conclusion, I would like to say that we view this as another example of the Ontario government attempting to make Ontario uncompetitive. It is presenting an environment for business in which it is mandating programs for which it will take no later responsibility for maintaining.

**Mr Hall:** This is our formal presentation and we would be pleased to take questions.

**The Chair:** I have a list. We have Mr Carrothers first.

**Mr Carrothers:** I appreciate the presentation and in fact the amount of time we will have to question. Maybe I will get more than one question in.

**The Chair:** No.

**Mr Carrothers:** Oh. Anyway, could I just maybe focus on the commercial concentration levy and the comments regarding that?

I would have thought the board of trade would have been very pleased to see the transportation initiatives that have been taken recently to free up and to build both public transit and highways in the greater Toronto area in order to free up some of the traffic problems, which would improve commerce. I guess when that happens, one cannot do that without raising the funds to build that with and this is obviously an attempt at having those who benefit from it help.

If I could zero in on the comment on head offices, you have specifically mentioned TransCanada Pipelines and Shell as moving and then you have linked it somehow to the cost of business here in the greater Toronto area, which I find curious, because those two businesses are energy-related. Calgary, of course, has become a centre for that activity in Canada. The Shell move was very clearly stated by its spokesmen to be because of that and nothing else. TransCanada presumably is the same.

The other head office movements with which I am familiar here—and of course there are a number; a number are moving from Metropolitan Toronto, but not out of the greater Toronto area, they are staying within it—I can think of General Electric, a number of the insurance companies and so on which have moved to either Mississauga or Markham.

I am just curious if you could expand a bit on why you feel the TransCanada movement has

this relation to anything other than the fact that it is moving to what is the centre of energy activity in Canada.

**Mr Hall:** I have a clipping from the Toronto Star of 30 October. I would like to read it to you. It states clearly, and I am trying to pick it out exactly, but Gerry Maier, the man in charge, said that office rent and other operating expenses in Toronto were getting too high and the company had been looking at its costs for the past 18 months. This was tied in to the fact that they were told at the National Energy Board hearing that they were paying very high costs for their office space in Toronto.

Still, this move announced by TransCanada was just three months after the announcement of the imposition of these taxes. I am not saying that that is the whole reason, I am saying that it is extremely expensive to operate in downtown Toronto and in the greater Toronto area and that especially the commercial concentration tax is going to add to that, and anything that adds to those costs goes into the calculations made by the people as to where they are going to locate. There is a definite link to the TransCanada move.

As for the Shell move, I agree it was some years before this tax, but it points the trend that is happening because of the high cost of office space in Toronto and this is just another factor to be added to the high cost of existing in Toronto.

**Mr Carrothers:** If I could, Mr Chairman—

**The Chair:** No, I am sorry.

**Mr Carrothers:** —it is very clear that high cost in Metro is what prompts them to move, but they are not leaving the GTA. That is clearly not the trend.

**The Chair:** Mr Carrothers, I am sorry, but I have a lot of people on the list, and you know the rules, so please co-operate.

**Mr Carrothers:** Excuse me, Mr Chairman.

**Ms Bryden:** I appreciate your comprehensive submission, including your budget response, because these taxes originated in the budget and they are both brand new kinds of taxation. I am inclined to agree with your assessment that certainly the commercial concentration tax is definitely a tax grab, because it is going into a field that has been occupied by the municipalities and the school boards, and also it is going to raise more money than the premiums raised in the past, and that it is a regressive tax because the people with the lowest payrolls pay the least whereas on the employers' tax the people with the lowest payrolls usually have more employees. So on a lot of counts it is a bad tax.



Have you any other suggestion as to how to get rid of the health premiums, which all parties now think is a good idea, and replace them with a different form of taxation than the ones that are being considered before us today?

**1550**

**Ms Phillips:** It is difficult to suggest a different type of tax. I think what we would like to recommend is that the government re-examine the way it currently allocates the tax that exists and that it already collects in a very generous fashion from the Ontario electorate. We are concerned that it is not being properly disposed of and allocated and that some more fiscal responsibility would allow us to free up some of those funds to be used in a more responsible fashion.

**Ms Bryden:** Would you consider following the story in last night's Toronto Star, where apparently billions of tax dollars are not being collected by Ottawa from corporations because they escape tax altogether under the present loophole rules? Could we not tap some of that untaxed money in Ontario, the corporate and income tax money that is escaping?

**Mr Hall:** The corporate income tax in Ontario is pretty well based on the federal system and Ontario's income tax legislation for corporations tracks the federal act quite closely. It would be administratively quite a problem for Ontario to put in special rules. It would make it even more of a tax jungle than we now have. We in the business community are hoping that Ontario will eventually be able to fold in its corporate tax structure to the federal, which would save one level of administration and would make it easier for both the taxpayers and the tax collectors.

As another matter, health costs about \$13 billion in Ontario, I believe. What we feel is that this is a big part of our province's expenditure and it should be visible to the public that health costs are not free. They have to pay for them in some way or another. Therefore, our preferences would be for at least some of the tax to be in a visible form so the people in Ontario know just what the cost of health is and can contribute to a better use of the health system.

**Mr Sterling:** First of all, I saw the story in the Toronto Star today about loopholes and I take great debate with my colleague as to whether these are loopholes or deductions allowed because there is great capital expansion going on in a lot of these corporations which are providing a lot more jobs. It is a delay of tax and not a nonpayment.

Notwithstanding that argument, you make a number of points in your brief and in your statements today. One relates to the dedication of revenues that are collected here to be spent here. You make another point, as to the fact that you are not satisfied that this tax is a flat-rate tax and that it is not based on value. You also make the point that it is uneven in its impact on various types of properties across Toronto.

Have you or will you or can you present to the committee specific amendments to Bill 47 which would permit us to deal with those in an orderly fashion when we come to the clause-by-clause sections of those bills? I agree with the three points you are putting forward, but we have to, I guess, assume that the government is going to go ahead with this particular tax and we might as well make it better rather than just say we oppose.

**Mr Hall:** Yes. We do not presume to be lawmakers, but we would certainly make a suggestion. In the case of the commercial concentration tax, we would like to see it applied to all the businesses that benefit from the traffic infrastructure that they are having to pay for. We think this arbitrary limit of 200,000 square feet is capricious. It does not tax all the persons who are benefiting and it puts an extremely unequal burden on competitors across the road from each other, one of them in a free-standing building less than 200,000 square feet that is not affected by the tax and the other one in a complex that is affected. If they are selling the same goods, they have to sell them for the same price. Only one is faced with this additional tax burden. So our recommendation would be that the tax should be applied to all the businesses that are going to benefit from the tax, not just a few capriciously selected. I hope that is specific enough.

**Mr Sterling:** Yes, and with regard to the value?

**Mr Hall:** It certainly should be, I think, one of the basic tenets that a tax should be based on value, wealth, as measured by some definable standard rather than just an area, a square foot in the—

**Mr Sterling:** I agree with the principle, but I want to know how.

**Mr Hall:** It could be a surtax on the realty assessment. Michael, I will refer this to you. You are more of an expert.

**Mr Ward:** If the tax is to be paid directly to the province, then that would entail a duplicate tax being levied perhaps against the real property assessment rolls of the municipalities in the



greater Toronto area, but have it collected at the provincial level or even collected by the municipalities and remitted to the province. Again, the logistical problems in doing something like this I would have to give some more thought to, but the value-based real property assessment roll is there. It would at least be an ad valorem basis for the tax as opposed to the arbitrary square-footage methodology.

**Mr Sterling:** I agree. I want to know how.

**The Chair:** I have two other questioners, if I can move on.

**Mr Velshi:** Just one comment about Trans-Canada Pipelines Ltd. I think they thought the GTA was too expensive. They could have moved 100 miles from here, not 2,000 miles from here. That is just a comment. I think they probably needed to go where they went.

**The Chair:** They have all moved to Mississauga.

**Mr Velshi:** My question is to Mr Ward. You mentioned that this whole system is loaded against small businesses in view of the fact that in a mall they pay more, because the large tenants would not be paying in view of the arrangement with their leases. I agree with you there, but apparently the leases are loaded against the small businesses in any event. The anchor tenants, like the Bay and Simpsons and whatever, still pay less than the small tenants, and the small tenants do survive that type of onslaught on them. Coming from that point, do you think it would be more equitable if the situation were corrected to allow everyone to pay his fair share of tax based on usage of square footage rather than just levying a tax on the whole property, which all falls on to the small tenants and not on the large tenants?

**Mr Ward:** I might say that the allocation of rents, and for that matter of taxes to a certain extent, between the anchor stores and the smaller tenants is really determined largely by market forces and other factors that relate to the development of the property and long-term financing and so on. The commercial concentration tax is being passed through to all the tenants in a shopping centre in varying degrees. I might say that when we did our study on our stores, which include the Bay, Simpsons and Zellers, in the greater Toronto area, some 40-odd stores, there were only, I believe, three lease arrangements out of those 40 that would in some way reduce our contribution to the commercial concentration tax on common areas. So it is not perhaps as large a deflection of the tax off anchor

stores on to the small stores as might otherwise be perceived.

What the board is really saying is that the CCT is another tax that is stacked on top of all the other operating costs and occupancy expenses of the small businessman, and whereas large corporations operating on a national basis can spread their occupancy costs around to a certain extent, the individual or small regional chains, say, in the greater Toronto area do not have that broad base and they have to absorb the tax to a large extent. The CCT is going to fall on the barber, the shoemaker and the small mom-and-pop operation in these malls as well as the big, triple A corporations.

#### 1600

**Mr Reycraft:** My question is about the health tax and its impact on our competitiveness, particularly in the North American market, as addressed in your brief. I guess it should be addressed to Miss Phillips. I listened to what you said about it being advantageous to have people aware of their health care costs and that premiums help to do that. I guess if you wanted to carry that argument to its extreme, we would have premiums cover the full cost of the health care system.

Even at the premium level we have now, employers pay 70 per cent of those costs as part of their employees' benefit packages. Your assertion is that the new tax will make our employers and manufacturers uncompetitive in the North American market. Yet I am sure you are aware of the study done by a United States manufacturers association. It indicates the costs of health care to their employers, to their manufacturers, is the single greatest challenge to their remaining competitive not only in the North American market but in the global market.

It seems to me, in looking at their study and their arguments for a publicly funded system of health care and your arguments today, there is a basic contradiction. I wonder if you could help me to understand your argument.

**The Chair:** The question is, do you not agree?

**Ms Phillips:** No. Can I stop there?

**Mr Reycraft:** I will stop.

**Ms Phillips:** Basically, what I think we have to remember here is that we cannot look at this in isolation. We cannot say we are more competitive or we are less competitive when we look at just our health care costs for an employer. We have to remember that this is one more layering of a tax on top of the Canadian business, the Ontario business in this particular case.

What we have to start from is the basic assumption, and this has been addressed in a number of studies both by the Ontario government and by the private sector, that is indicating that currently Ontario business is in an uncompetitive position, full stop, now. You are now adding another 30 per cent cost that has to be addressed by the private sector, and that increases our uncompetitiveness. So please do not take this in isolation and say that we are now going to be operating against the US, because that is not going to be the case. We have to look at the total umbrella and the total burden that is being supported by the corporate sector. That is going to make us more uncompetitive. We do not need one more thing around our neck.

**The Chair:** Thank you very much. I would like to thank the Board of Trade of Metropolitan Toronto for taking the time to come here today and share your concerns with the committee. We appreciate it very much.

**Mr Hall:** We are all working for the best system for Ontario and we better be working on it.

**The Chair:** That is true.

Our next presenter is going to be setting up a projector. It has been suggested that we break. I am suggesting that we not break because we will tend to have a minute break turn into a 10-minute recess and try finding our members again. Can the people from Park'N Fly come forward?

I should tell you we have allotted 15 minutes for your presentation, which hopefully will include some time for questions by committee members. We are trying very hard to stick to that schedule. Would you begin, whoever is going to open up, by introducing yourself for the purposes of Hansard and begin when you are ready.

#### PARK'N FLY

**Mr Bresler:** My name is Ron Bresler. I am one of the partners in Park'N Fly. To my left is Ray McCarron, who is president.

We are making a presentation regarding Bill 46, the Commercial Concentration Tax Act. The reason we are here is really to express our concerns over the bill. We operate three parking companies at Lester B. Pearson International Airport in Toronto, the Park'N Fly, Payless Airport Parking and Express Airport Parking. All three are owned by our family. They are all operating at Pearson International Airport.

As we understand it, the purpose of the bill is to create a new tax which will help to fund the infrastructure in place right now in the greater Toronto area. New revenues are required to

maintain the existing infrastructure and improve it. It is being levied against all commercial buildings larger than 200,000 square feet and all parking lots, regardless of size, as long as they are pay parking lots accessible to the public.

Unfortunately, the new tax of \$1 per square foot, when it is applied to our parking companies, would place such an added burden on our businesses that we would not have much choice but to close them after having been in operation for 23 years. As such, no additional revenues would be generated for the province in any case.

Quite frankly, I think we have been included in the tax in error. Our parking companies really are closer to travel-related industry. We are labour-intensive. We are capital-intensive. We provide busing. We have check-in facilities, ticketing facilities for Wardair, Canadian Airlines International and American Airlines. In fact, our labour costs are over one third of revenue. It is over \$2 million a year. Annually, we spend over \$1 million a year on capital expenditures, buses, buildings, land improvements, computers and so on.

I want to deal with three basic issues. The first is infrastructure. At Pearson, our companies have a capacity for more than 7,500 cars. In fact, we are actually providing some infrastructure to the airport. However, our operations are different from downtown parking operations. Our average park length is over five days. A downtown parking lot has a turnover at its parking stalls in excess of two and a half to three times a day.

Downtown parking lots with a turnover of three times per day have six or more usages of the infrastructure per parking stall. Our parking businesses, with an average park length of five days or greater, has an average usage of 0.4 uses per parking stall per day of the infrastructure.

If we were to close down our businesses, people would have to go to other means of getting to the airport. It would be through pickup and dropoff, or taxis. These uses would immediately double the use on the infrastructure and that would be because people would have to be dropped off and whoever is dropping them off would have to come back home, and the same thing when they are picked up. All other methods are greater uses of infrastructure than we have right now.

#### 1610

In terms of fairness, the Minister of Revenue (Mr Mancini) stated that approximately \$10 million of the \$115 million being raised will be generated from municipally owned parking lots.



The rationale for this was that taxing the municipalities would be fair and that they are commercial pay parking ventures and they would be competing directly, as they are now, with privately owned businesses and it is only fair to tax both competitors.

However, what is going to be happening at Pearson International Airport is that through taxing, our operations will be put at a competitive disadvantage vis-à-vis our competitors. Our only competitor is the federal government. The federal government is not required to pay the tax, as I do not believe the province is capable of taxing the federal government. The inequity in the bill would not allow us to pass on the price increases, even if the market would allow it, because from a competitive point of view we would no longer be in a desirable position.

Also, it is unfair that a new tax clearly would put us out of business after 23 years, and I do not believe that is the intent.

Dealing with the intent of the bill, its intent is really to generate additional revenues in order to fund maintenance of and improvements to the transportation infrastructure in the greater Toronto area. We would be unable to pass on these cost increases and would be forced to close. The reason for this is simple: Our businesses are very price-sensitive, and yet we are still service-oriented. As such, we generate revenues of approximately \$3.97 per square foot. This is the same as industrial rents. The properties we are using are industrial properties. As you can see, downtown parking lots generate in the range of \$25 to \$30 per square foot in rent, office buildings \$40 or greater and shopping centres are way beyond that. These larger users are even exempt for the first 200,000 square feet, and I guess this is because of their large capital outlays.

The effect of the tax, though, will be to increase our rates. As you can see on the bottom line, these increases amount to 27 to 56 per cent. We cannot pass on these increases. We presently experience dramatic effects on our business when we increase our prices by as little as five or 10 per cent. The new taxes would create losses in our companies which would force us to close our business and lay off close to 200 employees. From a business point of view, it is the wrong thing to raise your prices when you are not at full occupancy. We are right now in the 60 to 75 per cent occupancy range.

In terms of options, we do not have an option. If the tax applies to us, we will be forced to close. The tax burden on our companies would be

unfair. It would force us to become unprofitable; it would eliminate some of the existing infrastructure; and it would not generate any additional revenues for the province. At the same time, it would cause unemployment of nearly 200 people.

In terms of a recommendation, we recommend that the parking companies which are net providers to the infrastructure at Pearson International Airport, those that operate within a five-mile radius and provide a busing service to the airport, be exempted from the commercial concentration tax.

The support for the recommendation is that unlike downtown or other parking companies, our revenue per square foot is the same as industrial rents, which are exempt, and that we are net providers of infrastructure as opposed to users, and that is due to the average parking length. Most important, it has to be recognized that we are a part of the travel industry, aligned with hotels and airlines, rather than just a parking lot. We are more a service industry. By exempting our companies, the intent of the bill will be met without placing an even greater burden on the roads and infrastructure of Pearson International Airport and thereby necessitating even greater outlays than presently anticipated.

**Mr Velshi:** Mr Bresler, I would like to commend that; it is a good presentation. I would just like to comment on some of the things.

When you say you are catering to the business community, which I agree with, I think you are catering to the business community, not the community at large. I do not think a vacationer going to Miami on a \$199 package will come and park his car there.

**Mr Bresler:** They actually do.

**Mr Velshi:** I was in the travel business, so I am aware that 90 per cent of the traffic came from business people. When taxes were increased on airline tickets, it did not affect the travel business at all; the business person still had to travel. When prices of tickets doubled, almost, over a period of three years, it did not affect the travel of business people.

I am not too sure whether this will affect you that much, and in view of the variation in the rates charged by your three lots and the government lot—and the government lot also has a restricted capacity, so you are going to get that overflow in any event—I am not too sure it is affecting you as badly as I think you are telling me. Am I correct in that?

**Mr Bresler:** In our opinion, you are not correct in that. Right now the makeup of our



business is both the leisure and the business traveller, and depending on which lot you are talking about, the mix changes, but it is probably overall about a 50-50 split between leisure and business travel.

The argument is that the business traveller will not be affected as greatly because he is not paying with his own money, he is paying with somebody else's money and he is more free to spend it. In fact, though, they make a choice to come to us for service and for price. A lot of our business travellers come to us because of corporate deals we have set up with them, pricing and so on, and we are unable to pass on increases that greatly.

We have had conversations with tour operators, who are the ones who send us a lot of the business. Over the last few months we have told them that it is likely we will have to increase our rates and they are saying: "Gentlemen, we're not going to send you the same degree of business. There are other options out there."

Beyond a certain point, it is not worth it to park at the airport for the low-end user. For the higher-end user, once our prices increase at Park'N Fly, for example, to cover off this tax, our rates are no longer lower than the airport's rates. For sure, Terminal 1 has been close to full. Terminal 2 has not been and there is lots of space available there, and with Terminal 3 opening up, there is going to be even more space available.

**Ms Bryden:** I appreciate Mr Bresler coming and pointing out the dire situation in which the imposition of this tax would leave them. It indicates that it is a very poorly-thought-out tax and that they were not aware of the side-effects on a great many firms. I think it calls for a review of the whole coverage, particularly of the tax, or whether or not we need this kind of taxation to replace OHIP premiums or to build infrastructures. Those seem to be the two reasons.

Would you agree that if an exemption was given to your business as part of the transportation system, other exemptions should also be given to other groups which operate similar services, or whether the loss of revenue from all the groups that might be affected can be justified? How are we going to replace that revenue?

**Mr Bresler:** I am not looking to be placed at a competitive advantage versus my competitors. I believe that we should all be treated fairly and equally. I believe in the bill there are points where if the tax burden causes a hardship, then there can be exemption. I guess what I am appealing to is that point of the bill.

I believe that overall there is need for funding for infrastructure in the greater Toronto area, I

just do not believe that taxing everybody under the same category is necessarily fair, and for sure I do not believe that we are comparable to a downtown parking lot. A downtown parking lot charges \$15 a day; turns over the stalls three times a day. I am getting \$3 a day in revenue at some of my lots. It is not the same kind of impact.

Industrial was exempted for one reason—I am sure there are a number of reasons, but one reason was—it was felt that \$1 on a \$4 rent charge would be unfair because it is a disproportionate share, it is a 25 per cent increase. On a \$40 rent charge for an office building it is only two and a half per cent, so it has a different impact.

**Mr Daigeler:** Like my colleague, I would like to compliment you on the presentation, which I think is very excellent. You certainly have done a lot of research to present your case. I guess it is a matter for argument whether the situation is as desperate as you are presenting it for your company, but I understand there is Jet-A-Way Airport Parking out at the airport as well?

**Mr Bresler:** Yes.

1620

**Mr Daigeler:** I have not used your service, nor this other one, so I am not that familiar and I am just wondering. Would they not be in the same situation and how would it affect them?

**Mr Bresler:** The indication that we have received so far is that they have been assessed and the anticipation is that they will be paying the tax.

I think what is probably not realized is that Jet-A-Way is a concessionaire on federal land. As a concessionaire, its contract is coming up at the end of this year. I do not know the exact number, but it is paying substantial rents to the federal government right now. We believe that if the company is profitable, it is marginally profitable at best. This new tax could be an added burden to Jet-A-Way of anywhere from \$1 million to \$2 million a year, which would for sure outstrip whatever profits it is making right now. It would have to go back to the federal government and cut a new deal with it for future concession payments.

The federal government is going to turn around and do the same thing that it is doing right now with the in-terminal parking. It will hire a management company for \$50,000 a year or whatever to manage the business for it and, as such, escape the tax burden and still be able to realize the same kind of revenues that it is generating right now.

From the federal point of view, I believe that they would not pay. Jet-A-Way will have to pay if it is still in business, but I do not believe that it will be in business under this deal.

**The Chair:** Thank you very much. I want to thank you for your presentation today. The committee will take it into consideration.

**Mr Bresler:** Thank you very much.

**The Chair:** Our next presenter is the city of Oshawa. Mayor Pilkey is with us. Welcome, your worship. It is nice to see you. We have set aside 15 minutes for your presentation, which should include some time for questions from the committee.

#### CITY OF OSHAWA

**Mayor Pilkey:** That is appropriate. I do have copies, as was requested by the clerk, if she would like to have them.

**The Chair:** Begin when you are ready.

**Mayor Pilkey:** Thank you. The clerk is distributing a copy of my presentation for this afternoon, and as well there is an executive summary which may be of assistance to you subsequently to identify the highlights and substance of the remarks.

First of all, I would like to thank you for the opportunity to make this presentation on behalf of the citizens of Oshawa. While I appreciate the time constraint under which the committee must operate, Bill 46 is an extremely important issue for the city of Oshawa and, as such, we feel very strongly that our case must be stated. I will be presenting to you our arguments against the commercial concentration tax, and specifically the treatment of municipal parking facilities, based upon both principle and financial impact. In addition, I will offer to you recommendations, to which we expect the committee will give very serious consideration.

A uniform tax, a regressive tax: In general, the commercial concentration tax is viewed as being a regressive form of taxation. The principle of tax fairness that permeates the history of economic thought is that of equal treatment for people in equal economic circumstances. A tax system is said to be progressive if it decreases the inequality of income distribution and to be regressive if it increases that inequality. Being a uniform tax, the financial impact of the proposed commercial concentration tax is greater on the smaller outlying municipalities in the greater Toronto area than on Metropolitan Toronto itself.

This argument applies to the imposition of the tax on private sector commercial concerns, and to an even greater extent, to municipal parking operations. Parking facilities in Toronto generate far more revenue per space than Oshawa facilities. With the higher user fees and a larger tax base, Metro is able to absorb the proposed levy with less impact and a smaller rate increase on a percentage basis.

Thus, while the users of parking facilities in the city of Oshawa will be faced with an immediate minimum 38 per cent increase in rates due to implementation of the commercial concentration tax, those in the city of Toronto will be faced with a considerably lower percentage, estimated to be less than 10 per cent, given the size and the nature of their operation. Consideration of size, location and ability to pay has obviously not been taken into account in the development of this bill, as reflected by the blanket coverage of the greater Toronto area.

Another concern for the city of Oshawa is that Bill 46, if passed in its current form, will result in yet another provincial intrusion on the tax base of municipal governments. In almost every province in Canada, but especially so in Ontario, property taxation is exclusively a function of local government. By taxing private sector concerns in this manner and by subjecting municipal parking lots to the commercial concentration tax, the provincial government is entering the property tax arena, thereby reducing access to our principal method of raising revenue.

Also, this is a dangerous departure from the long-established principle that property owned by a municipality and used for its own purposes is exempt from taxation at the provincial level, and accordingly results in an unfair tax burden to municipalities. There is a growing fear throughout the municipal structure in Ontario that if this precedent-setting policy is enacted, the provincial government will be tempted to expand this infringement into the municipal tax base by including other municipal properties. In my view, this would be totally unacceptable to all municipalities in Ontario.

The city of Oshawa has traditionally managed its parking system on a not-for-profit basis—it has been self-sustaining, actually—and, as such, it is not perceived nor intended to be a commercial operation. Our parking operation, in essence, provides a service. It is difficult, therefore, to rationalize the province's imposition of a tax on municipal parking operations.



The commercial concentration tax is counter-productive to the city of Oshawa's efforts to promote downtown development. A new \$15-million parking garage is being built to assist development in the downtown core and is viewed as a significant catalyst in achieving this goal. The provincial government is assisting municipalities financially to improve their downtown cores via its program for renewal, improvement, development and economic revitalization, yet this proposed tax is contrary to the concept of encouraging development and stability in such areas.

We are also concurrently trying, via municipal programs in conjunction with the Downtown Oshawa Board of Management, to provide incentives for people to shop downtown. An increase in parking fees is definitely contrary to our objective. Why would shoppers in the downtown sector pay the commercial concentration tax through increased parking fees when they can park free at local shopping malls?

Our future need to expand the system to keep pace with additional downtown development could be seriously impaired if rate increases to meet inflation and required expansion have to be additional to the increased rate needed to pay the commercial concentration tax. Resistance from our patrons could be severe, and sufficient, to defer or deter the necessary expansion we see. Insufficient parking could create problems for downtown businesses and increased taxes and/or development/business levies may be required to finance capital works to expand our parking system.

Additionally, the imposition of a uniform tax on commercial enterprises could adversely affect commercial development in the downtown core by eroding the cost advantage of developing in a smaller outlying municipality. The combination of the adverse impact on the parking system and commercial development could deter development of relatively large parcels of land currently available for development in our downtown core.

Having finalized its calculation on assessable municipal parking areas, we are advised the provincial assessment office has advised that all of the calculated parking areas within the city are subject to review and appeal prior to the implementation of the proposed commercial concentration tax on 1 January 1990. For the purposes of this presentation, the city of Oshawa has assumed the calculations to be correct.

#### 1630

As a result, the taxable areas in the municipal parking system amount to 443,800 square feet,

which would increase to 548,500 square feet in the fall of 1990. Thus, it is expected that the city will pay \$478,000 in 1990 and \$548,000 in 1991. That assumes that the levy will remain at \$1 per square foot. We require these dollars to cover the requirements of the commercial concentration tax.

The compound effect of this increase, with the proposed 9 per cent goods and services tax, will require the parking rates for the entire system to be increased from 50 cents per hour to 75 cents per hour effective 1 January 1991, and this increase does not make any provision for inflation or continued growth of the parking system.

The initial and immediate impact of this tax on our parking operations will result in an annual cost to the city, which would require an increase of approximately 63 per cent for our off-street operations or 38 per cent for the entire parking system, which would need to be in effect for the beginning of 1990. Effectively, given the changeover considerations, a 50 per cent increase would have to be implemented right away.

An alternative to increasing user fees to compensate for the proposed commercial concentration tax is for the city itself to absorb this increased cost. This would require an offsetting mill rate increase of approximately 1.2 per cent in 1990 and 0.2 per cent in 1991, making a total of a 1.4 per cent increase in taxes to pay for this tax. Again, this alternative would be contrary to our current and historic practice of maintaining a self-sustaining parking system without placing an added burden on city taxpayers and property owners.

In addition to the negative financial impacts mentioned above, the city will also have to pay the costs of converting parking meters and parking machines from the existing rates to the new rates. These machines were converted three years ago at an estimated cost of \$37,000 and to do so again next year would cost approximately another \$45,000.

Therefore, I would strongly urge that the members of the committee give serious consideration to the adverse impacts that will result from the imposition of this tax, particularly on municipal parking agencies. We appreciate that projects to extend GO service to Oshawa and to widen the eastern section of Highway 401 are beyond the financial scope of municipal government. However, we do not find it an acceptable solution for the province to invade the municipal tax base in order to obtain such funds.



Additionally, recent government motions on Bill 46, as we understand it, include the following amendment:

"I move that subsection 21(2) of the bill be amended by adding thereto the following clause:

"(c) exempting commercial properties and commercial parking lots from the tax imposed by this act."

Thus, whereas the first reading of Bill 46 did not provide for you a vehicle for exemption of municipal parking lots, this amendment would give the Minister of Revenue the ability to make regulations resulting in such an exemption.

Accordingly, I would like to put forth the following recommendations for consideration by the committee:

1. That Bill 46 not be enacted and that the province adopt a more progressive form of taxation to fund the required transportation infrastructure improvements in the GTA;

2. That in the event the commercial concentration tax is adopted—and I think we are getting more meaningful here now in these recommendations:

(i) That the legislation be amended to provide that the proposed commercial concentration tax not be extended to include municipal parking operations; or

(ii) That the legislation be amended such that the commercial concentration tax will apply only to those municipal parking operations which operate on a for-profit basis; or

(iii) That the legislation be amended to provide that the proposed tax be calculated: (a) as a percentage of the fees charged; (b) as a factor of population per municipality; or (c) as a factor of proximity to the city of Toronto.

In summary then, let me reiterate that the city of Oshawa perceives the commercial concentration tax, and specifically as it relates to municipal parking lots, to be unfair, inequitable, an invasion of the municipal tax base, a penalty for providing a social good on a not-for-profit basis, a significant financial burden to the citizens of Oshawa and contrary to the thrust of the province's own PRIDE program. It would be greatly appreciated if the committee could review the need for this type of tax and, at a minimum, if the legislation does proceed, find a viable way to incorporate into the final version of Bill 46 the recommendations I have presented to you this afternoon.

For the added information of the committee, I have also appended to this presentation a copy of a report and recommendations passed Wednesday by the regional municipality of Durham

supporting our arguments in this regard. I wish to thank you very much for your very kind attention and consideration to my representation this afternoon.

**The Chair:** Thank you for your presentation. Technically we are out of time, but I will allow two brief questions, if possible.

**Ms Bryden:** Congratulations to the city of Oshawa for a very well-researched brief.

With respect to the amendment you referred to that is proposed to allow the exemption of municipal parking lots, are you aware that this amendment is entirely discretionary to the government, that it does not have to grant any request and it really just allows the Lieutenant Governor in Council, or the cabinet, to exempt whomever it chooses to exempt. Can you really hang your hat on that as a possible relief?

**Mayor Pilkey:** It was my understanding that there was an amendment to the bill to allow the government to have discretion in areas where it felt it was reasonable to do so. We feel that it is reasonable to do so for municipalities of Ontario. It is reasonable to do so when you are operating something for the social good and not for profit, and it is important as well for municipalities which are trying to rebuild their central business districts not to be penalized in so doing.

As well, we have joined hand in hand with the province and this government to try to revitalize our communities, in particular downtown areas, and I think all of you understand the difficulty in that particular area. To now have it sort of taken away in a contrary fashion is inappropriate.

I would hope that the Ontario government would be aware of these difficulties. I have no illusions that the tax will be withdrawn, but at least some consideration by way of amendment would be appreciated, not only by my municipality but by the Association of Municipalities of Ontario, which I believe also supports this position very strongly.

**Mr D. R. Cooke:** I am a great fan; I want to make sure that you—

**Mayor Pilkey:** I thought you looked like an intelligent individual.

**Mr D. R. Cooke:** I am such a fan of Oshawa that I arranged to have myself born there. I am just wondering. You indicate basically that you feel that we are infringing on the municipal tax base. You have indicated, however, that you like the GO system coming to Oshawa, you liked having Highway 401 widened, you like having the PRIDE program, and you have asked us to review the need for this legislation. I just do not

think that makes a lot of fiscal sense unless you are going to give us an alternative.

As an alternative, would you like us to perhaps review Bill 20 and give you a lot levy power with regard to the GO system so that you could do your own taxing for GO and for PRIDE programs?

**Mayor Pilkey:** That is interesting, although Bill Ballinger told me he already threw everything in but the kitchen sink for municipalities on lot levies, so whether there would be willingness to add a further one for that I really would not know.

#### 1640

I think we are simply saying that the government has its normal tax deals and operating budgets for transportation and other infrastructure networks. Quite frankly, I could get into quite a debate with you, particularly at this point in Ontario's history, with respect to the kind of added burdens that are being placed on local municipalities that were provincially funded heretofore, but I did not come for that purpose and I did not come to get into that kind of debate.

I am simply talking about a new legislation, an entrée into a new and different kind of tax area, which we feel is not appropriate and which will have detrimental effects and impacts on us. We feel that there surely are ways for the government to provide these funds without hitting not-for-profit and social good and to make it contrary to try to redo downtown.

In terms of the GO train and the 401 widening, we are anxious for those situations. Again, I did not come to be controversial. I simply really am here to ask for an exemption on the basis I indicated. We look forward to the announcements on the GO train, to the arrival of it. We look forward to the 401 widening to Oshawa, but we are still waiting for the GO train. We are advised it will be 17 years until we see the highway tax, but your tax starts 1 January 1990.

**Mr D. R. Cooke:** But you have not given us any alternative.

**The Chair:** I am afraid we are going to have to move along, because we are falling behind. I want to thank you for your very comprehensive presentation and taking the time to come before the committee.

**Mr Pilkey:** Thank you for your kind consideration, and to Mr Cooke, congratulations, as a former Oshawa citizen, for having done so well for yourself.

**The Chair:** Thanks very much. It is good breeding, I guess.

Our next presenter, if we can try to get back on our schedule, is the Toronto Transit Commission, if I could ask you to come forward. Welcome, and once again we have set aside 15 minutes that we are going to try to stick to, if we can, including time for questions, so if you would introduce yourselves for the purposes of Hansard, you may begin as soon as you are ready.

#### TORONTO TRANSIT COMMISSION

**Mrs Griffin:** My name is Lois Griffin. I am a Metropolitan Toronto councillor and I am the chairman of the Toronto Transit Commission. With me is Al Leach, who is the chief general manager. I think you have got copies of our brief.

**The Chair:** Yes, we do.

**Mrs Griffin:** I would just go through it and perhaps highlight some of the items in it. The brief outlines for you the impact this tax would have on the Toronto Transit Commission and why we feel that it is inconsistent with current provincial and municipal objectives.

As we all are aware, I am sure, traffic congestion is a very serious problem in Metropolitan Toronto. Congestion of our transportation network threatens both the environment and Ontario's economic competitiveness. The public is demanding action and is looking to the government for the solution.

The provincial government acknowledges this in both the budget document and the Ministry of Transportation announcement of Transportation Directives for the Greater Toronto Area, published in 1988. Both Metro Toronto and the Toronto Transit Commission are working actively with the province to respond to this very serious issue. It is a common element to all of our actions that public transit plays a critical and paramount role in relieving this congestion.

The Toronto Transit Commission has 29 parking lots located at 13 stations. We have a map here that just shows you the locations. They tend to be north, east and west, somewhat on the periphery of Metro Toronto.

The sole purpose of those lots is to get people out of their cars and on to public transit. They are not commercial parking lots, in the sense that we have not set them up in order to make money. They are there for one reason only, as I said: to get people out of their cars and on to transit. The charges at those lots vary from a low of 75 cents up to \$2.25. The lots are successful in getting people out of their cars in that we have about a 98 per cent occupancy.



If even half of these drivers chose not to use the subway, there would be 5,000 additional cars on our roads every day going downtown. The fee that we charge—as I said, it ranges from 75 cents up to \$2.25—is set so that we get as high an occupancy as we can in those lots. It is set specifically to guarantee maximum usage of the commuter lots.

Under our current pricing structure, the gross revenue we take in is \$5.8 million. We have operating costs of \$2.4 million, so we have a net revenue of \$3.4 million, which we use, because it comes from the riders, to offset the 68 per cent contribution that the riders must make to the overall operating budget. That goes as part of their contribution to that 68 per cent.

Under your proposed legislation we would have to be paying to the provincial government \$3.58 million annually, which is currently more than we are making in revenue on those lots.

We have three ways we can make up that revenue. One is to work it into our overall fare increase so that all of our riders pay a portion to meet that increase. We can try to absorb the tax into our overall operating budget by reducing service. As we pointed out, this would be equivalent to cutting out 20 buses a day and we really do not think that is a particularly appropriate thing to be doing. The third option is to raise fees at the commuter parking lots, and that is the option we are having to look at. We have calculated that we would have to raise the rates by \$1.25 on the lots in order to provide you with the tax you require.

In our opinion, while option 3 is the one we would pick if we had to, none of them are good options because they all amount to penalizing transit users. Frankly, we all feel that the name of the game these days is to encourage more transit use, to do whatever you can to get people out of their cars and on to transit.

I think it is also important to understand that, in our opinion, the application of this tax is counterproductive and really goes against two provincial initiatives, and I suppose they are also municipal initiatives.

First, there is the whole concept of gateways that the province came out with. It was mentioned in the minister's report in 1988, Transportation Directions for the Greater Toronto Area, and we have attached a copy of the pertinent parts of that. It indicated gateways will be focal points in the transportation network, which will substantially increase the use of transit in the areas of greatest traffic congestion around Metro

Toronto. Gateways provide interchange points where people can move from cars to transit.

We feel the application of this tax to transit commuter parking lots is contrary to the gateway concept, because it will penalize and perhaps reduce the number of people willing to transfer from their autos to public transit. I think particularly if you look at the fact that we have lots that are charging \$1 now, we will have to more than double that fee with this tax. We really feel that is going to be viewed as a discouragement and certainly a penalty to people who are doing the good thing by getting out of their cars.

Second, the application of this tax to commuter parking lots is counterproductive to the provincial effort to enhance the quality of our environment through reduction of greenhouse gases. We have certainly had a number of discussions about this and Ontario, together with other provinces and the federal government, has agreed to seek means of reducing carbon dioxide emissions by 20 per cent by the year 2005.

One of the main means of doing this is going to be to encourage the use of public transportation. Again, we feel that by adding further financial penalties on transit users we are being counterproductive to that particular policy.

Governments, and I speak as a member of a government, ought to be trying to give a consistent message to the public. Right now I hope that consistent message is that public transit is the way to go both to ease congestion on our roads and to reduce environmental pollution. We ought to be giving that consistent message out there. We do not feel this tax is going to provide that consistency.

TTC commuter parking lots ensure that over 10,000 people each day get out of their cars and on to public transit. These commuter parking lots are part of the provincial gateway concept complementing government policy to reduce traffic congestion and environmental pollution. We therefore urge that park-and-ride TTC commuter parking lots be exempt from the commercial concentration tax.

**The Chair:** Thank you very much for your presentation. We have questions.

**Mr Daigeler:** Thank you for the presentation, Mrs Griffin. The point that I wish to make is that while I certainly support, and the province supports, the effort to promote transit, I do not agree with your assessment of this initiative as being a penalty on the transit user.

**1650**

The reason for that is that the transit user also is going to benefit very significantly from the



additional allocations by the Treasurer (Mr R. F. Nixon). There is some \$400 million that is going to be contributed towards provincial transit in the greater Toronto area and about \$150 million for the Metro area, so we are providing significant service improvements to the transit user. In light of that service improvement, would it not be proper to say it is a reasonable share that, yes, the transit user will have to carry?

**Mrs Griffin:** If I might, I think that certainly there is no argument that we do get moneys from the provincial government for transit, and we are not arguing that.

**Mr Daigeler:** But I am talking about additional improvement.

**Mrs Griffin:** I am not sure how much additional money we are going to be getting over what we have traditionally gotten in the past. Certainly in the past we have traditionally gotten our 75 per cent on capital and a certain amount on operating costs.

I think the other point to make, of course, is that the transit users are already paying. They are first of all paying—and some people regard it as a sacrifice of getting out of their car—by paying the fare to use the system, they are paying through their normal taxes already, and they are now going to be asked to pay even more. I guess that is the point that seems a bit disturbing.

**Ms Bryden:** I appreciate the TTC coming and pointing out the ridiculous contradictions in the provincial policy and the objectives of solving our transportation problems in this greater Toronto area, because what the province is doing by putting extra taxes on TTC lots is counteracting the attempt to get people into public transit and to end the gridlock here. Also, they are counteracting the needs of commuters, the numbers of whom have grown greatly because of the housing shortage.

This seems to me to be another example of the province looking in two directions at once. First, it is getting more revenue for its infrastructure, but second, it is making its infrastructure less efficient. Do you think that giving an exemption to the TTC on the grounds that it connected up with public transit would make a very significant contribution to the efficiency of the infrastructure, rather than the present method of adding to the costs of the parking lots?

**Mrs Griffin:** I am sorry—

**The Chair:** Did you understand the question?

**Mrs Griffin:** I am not sure what the question was.

**Ms Bryden:** Maybe I can clarify it. There is a contradiction between the provincial policies to get people into public transit and putting taxes of this sort on, which are going to add to the costs of people using public transit and using the gateway approach. Which should come first? Should the province be thinking of increasing the efficiency of public transit and its infrastructure or just putting on a tax that is going to add to the problems and not solve them?

**Mrs Griffin:** I guess it is really a question of who should pay. Our problem with this is that it seems that the effect is going to directly hit the transit users, who are the people, in our view, who are doing the right thing by using the system.

I think the other concern that we have is that I mentioned how our pricing structure is set up. It is set up so that we can try to get full utilization of our lots. We said it varies from area to area so that we do get almost 100 per cent utilization of our lots. This is certainly going to upset that whole pattern, and I think that if it is discouraging anyone from taking transit, it is not a good tax.

Just one other thing, because you asked me about the dollars—

**The Chair:** We have another question here. I would rather move on to another question, then go back to other ones.

**Mrs Griffin:** Okay, I will try and sneak it in with an answer to someone else.

**The Chair:** I will give you a chance at the end if we have time.

**Mr Sterling:** First of all, as you know, my party, Mr Brandt, asked a question in the Legislature specifically relating to the \$3.5 million today and received no answer, so I am not holding up much hope for you.

Given that in the various parking lots you have, and I believe it is more than 20, the price varies as to what a person would pay to leave a car there for the day, I assume that the lowest price, 75 cents, would be related to a property that would be farther from the core in general and that the closer the property was to the core, the higher the price might be. If that is a correct assumption, then would it be fair if this tax was not a blanket \$1 but was based in some way on the assessed value of that property, as many of the presenters have put forward before?

**Mrs Griffin:** I think it certainly would be fairer if it were something other than a blanket tax. I think that our lots are priced to some extent on the basis of how far they may be removed from the stations themselves. The farther away

you are, the less likely that people are going to use that one. They may be somewhat cheaper now. Can you give us any other—

**Mr Sterling:** But generally, the value of the real estate would be somewhat corresponding to the value you were charging.

**Mrs Griffin:** What I was going to suggest is that, to me, it would make much more sense to have it somehow tied to what the current charge is, because, for example, if you are parking in a downtown lot and the charge is \$10 or \$15 or whatever, it would make more sense in my mind to tie it to the amount of revenue you are currently getting and that the charge is related to the amount of revenue you are getting on that space rather than to have a blanket charge. I do not know how easy it would be to work it on the actual property value itself. It would make more sense that if the current fee is only 75 cents, why charge the same rate as a space downtown that is drawing \$15 a day? If you were going to make a differential, it would seem to me it would make sense to do it on that kind of a basis.

**Mr Sterling:** Yes.

**The Chair:** I want to thank both of you for coming today and taking the time and sharing your concerns with us. The committee will take that into consideration.

Our next presenter is the Urban Development Institute/Ontario. Orvin Zendel, I believe, is the presenter. I would ask you to come forward. As I have said, we have set aside 15 minutes. We are running a little behind, so we are going to try to stick to that 15-minute schedule, if we can, and that should include some time for committee questions. Could you introduce yourself and your associates for Hansard?

#### URBAN DEVELOPMENT INSTITUTE/ ONTARIO

**Mr Zendel:** Thank you very much. First, let me introduce my fellow representatives from the Urban Development Institute/Ontario. On my right is Phil Gooch. He is a senior vice-president with Trizec Equities Ltd. To my near left is Andy Manahan. He is executive research director of the Urban Development Institute of Ontario; and to my extreme left is Neil McFadgen, a partner with Price Waterhouse.

On behalf of the members of the Urban Development Institute/Ontario, I would like to thank you for inviting our organization to present our comments on Bill 46.

The Urban Development Institute/Ontario is a provincial organization representing more than 200 member companies involved in commercial

and residential land and building development throughout the greater Toronto area, the province, Canada and internationally. In addition, we feel we are representing our clients, the thousands of business tenants we have in our commercial buildings who will be adversely affected by this tax. Because they cover a wide range from large corporations to individual proprietorships, they may not have an effective umbrella organization. Nevertheless, they will face the brunt of this tax.

Let me clarify the institute's position on the commercial concentration tax. Any tax is painful, particularly to the group upon which it is imposed. The Urban Development Institute strongly supports the government initiatives in transportation. In fact, we have been lobbying many years to increase the rate of construction of highways and public transit projects announced in the 1970s and in the 1980s.

We further understand that our industry, as well as others, benefits from these transportation initiatives and we are willing to pay our fair share. Recent talk of private and public funds for the Sheppard subway is a prime example of this understanding.

However, we cannot support this tax, which we feel is both conceptually and structurally flawed.

#### 1700

The commercial concentration tax was introduced in the 1989 provincial budget presented 17 May 1989. Our organization has presented and discussed our concerns with the staff of the Ministry of Treasury and Economics, the Premier (Mr Peterson), the Treasurer and other ministers at a UDI meeting we had with cabinet, and with the Minister of Transportation (Mr Wrye).

Since the introduction of the commercial concentration tax, it has undergone numerous conceptual and structural changes. These include the exemption of the first 200,000 square feet of a building and a total revision of the definition and application of parking lots.

Among other impacts, our understanding is that these changes will reduce the tax revenue from a guesstimate of \$500 million to \$1 billion per annum, to a figure closer to \$125 million per annum as targeted by the Treasurer. I bring this up to indicate that we have not resolved our concerns on this, but rather to emphasize the magnitude of our concerns with Bill 46.

Let me outline some of our concerns, first of all, the impact: A tax of \$125 million per annum directed at commercial tenants in the greater



Toronto area will have a substantial impact on those individuals and corporations affected by the tax. The effect and their reaction will have an impact both on local and provincial economies.

What will this impact be? We asked the officials at the Ministry of Treasury and Economics, and to our dismay, we were not given an answer to that question.

TransCanada Pipelines recently announced a move to Calgary. That gives us a glimpse of the impact that we may be facing. They are packing their bags and moving to Calgary, Alberta; 700 jobs directly, and substantially more indirectly, will be lost in this area. They clearly included the commercial concentration tax among their reasons for their departure.

In order to clarify this situation, let me explain how this tax will impact both office and retail tenants.

Most commercial leases are done on a net-net basis. This means the landlord is paid a basic rent and all of the costs attributed to the building are passed through to the tenant. In an office building, this means a tenant will not only pay an additional \$1 per square foot for his area, he will also pay for common areas including hallways, washrooms, lobbies and even elevator and air shafts. This will increase his total effective rate by at least \$2.

The scenario is even worse for retail tenants in larger malls for two reasons: one, their common area is much larger in mall spaces, and second, anchor tenants are often able to negotiate in their lease upper limits on their operating costs. Hence, retailers in a mall affected by this tax will have an additional rent of at least \$2 to \$4.

The additional burden will have a very significant impact on users. Office and retail tenants in affected buildings will be at a significant disadvantage to their competitors in medium and smaller buildings.

As I pointed out, I would also like to remind you that these same retail and office users will be impacted by the upcoming market value assessment in Metropolitan Toronto and the goods and services tax to be introduced by the federal government. The cost of doing business in the greater Toronto area is rising rapidly. Companies of all sizes are now re-evaluating their space requirements and location is certainly a factor. If these companies move to outlying areas, more highways and roads will be required. If they move out of the province, our economy will suffer.

A tax of this magnitude must be evaluated carefully to determine its impact on both the

payers and the affected economies. It is our organization's position that until the impact is understood by our government, our industry and the users, the implementation of this tax should be deferred. A mistake of this magnitude could have a substantial impact on the greater Toronto area's economy.

Our industry has a problem with the concept of this tax affecting large buildings by stating that large buildings require greater transportation infrastructure. The subway system in Toronto is one of the world's most efficient public transit systems, as you probably heard from the people just before us. The key reason for its success is the high density of office, retail and residential uses found in the central area of the city of Toronto.

The commercial concentration tax will penalize existing firms and discourage development of new buildings in the central Toronto area. The result will be a hastening of urban sprawl as new and existing users look to the suburbs for accommodation. These smaller suburban buildings are dependent on private cars and public highways and roads, a much more expensive and less efficient transportation system.

To add further insult to injury, we now have the province and the city of Toronto holding a competition to increase residential densities along major roadways in the city of Toronto to make better use of the existing infrastructure and transportation, yet the government is penalizing existing and proposed commercial users. What message is the government sending out?

The next item I would like to look at is the administration and accountability of this tax. The funds generated from this tax are theoretically earmarked for numerous transportation initiatives outlined by the Minister of Transportation. Our industry, as I have mentioned earlier, has long supported these initiatives and applauds the government for their actions. However, we are deeply concerned with the anticipated high cost of administering this tax, thereby reducing its effectiveness.

The provincial government has a large staff administering the existing assessment rolls of buildings. However, this bill has decided to ignore this database and created a new set of building measurement figures based on the gross building areas. The formation of this database, combined with the various exemptions for specific uses in individual buildings, means a large bureaucracy must be created and maintained, thereby reducing the overall efficiency of



the tax and hence providing fewer tax dollars for hard services.

This brings me to my concern over accountability. Although the budget clearly links this tax to transportation initiatives, the tax revenue is going into the province's general revenue. The tax revenue will not be earmarked for transportation.

As our industry looks at the budget deficit, the government's large commitment to other services, particularly OHIP's ballooning requirements and the government's record of delaying needed capital projects in transportation, we are concerned these tax revenues will not be spent as claimed in the budget. We would request a special fund be set up to allow the industry to monitor these funds.

With respect to building design and planning implementation, the introduction of the commercial concentration tax will introduce a new element to building design and project planning. Bill 46 states "buildings that are not dependent on shared facilities...shall be separately assessed." These terms are not defined, but what will happen is that all new projects will attempt to define these and buildings over 200,000 square feet will be designed keeping this in mind. Our industry does not need further arbitrary constraints in the design and planning stage.

The next item is that realty taxes have been the basic source for municipalities to raise tax revenue. The commercial concentration tax, in our view, is a type of realty tax which will impact the tax base of municipalities. The introduction of market value assessment further complicates the issue.

Our position is that the government should review the impact of the commercial concentration tax in conjunction with market value assessment, especially in light of the introduction of the goods and service tax by the federal government. Office, retail and other commercial users can only afford so much before they review their option of relocating out of the GTA, the province or the country.

In conclusion, the Urban Development Institute feels the commercial concentration tax is flawed both conceptually and structurally. The implementation of this tax will have a harsh impact both on businesses in the GTA and on the overall economy of the province. As a result, we would request the committee to do the following:

(1) Defer the introduction of Bill 46 as it reads today; and

(2) Formulate a committee to: (a) determine a method to broaden the base of the tax to decrease

the impact on our industry and our tenants; (b) improve the efficiency of the tax; and (c) formulate a tax structure which is more equitable to those benefiting from the improved transportation systems.

**The Chair:** Thank you very much.

**Ms Bryden:** We agree on the fact that it appears this tax is very much new and the number of amendments indicate it is being revised every hour on the hour, more or less, and therefore it should be looked at with considerable scepticism as to whether it will achieve its objective of providing better transportation or more public transit. You are right that not one penny of it is earmarked for either of those things. That is another reason for considering it with great scepticism.

But what I wanted to ask was that on page 3 you say you are willing to pay "our fair share" for getting better transportation and better public transit. Just yesterday in the *Toronto Star* it was pointed out that firms in Canada were making \$27 billion in profits which are not subject to either corporate or income tax at all in Canada. If your firm is among those, are you prepared to pay a greater share of corporate and income taxes by the closing of loopholes that are allowing those firms to go untaxed? Are you prepared to pay your share from that source, because it does not seem like this is a suitable source for getting more money for the infrastructure and you have to offer something in exchange for it if you are going to get more infrastructure?

1710

**Mr Zendel:** There are two answers to that. The first answer is yes, we are willing to pay more. I think what is being talked about on the Sheppard subway line by our industry, paying for a substantial portion of the subway, is one possible alternative.

A second point that you should be careful to look at here is that this will be impacting tenants of 1,000 square feet. It could be a single lawyer in the Toronto-Dominion Centre, just picking a place, who is going to pay a tax on this whereas a large law firm in a building with 150,000 square feet will not be paying this tax. There does not seem to be an equitable answer here.

**Mr Daigeler:** Thank you for coming before us, although I must say I have a bit of difficulty with your concept.

First of all, I would like to indicate that the government never had in its mind to raise \$500 million. I think it was always very clear that it was a limited amount, and the amount that is in

fact being calculated now was the one that was envisaged; and in order to accommodate a tax from about 870 properties, there is no new bureaucracy needed. Rest assured that there will be no new civil service created for this particular tax.

But what I have some difficulty with is, you are very supportive of this government's initiatives on transportation. You are saying in fact you were perhaps quite instrumental in getting the Treasurer convinced in putting this forward, but you do not really feel you should pay for it. That I have difficulty with.

Obviously, as you indicated yourself, a tax will always be a certain burden, but when it comes right down to it, I think the groups you are representing are benefiting most from these initiatives, because if we do not have a viable infrastructure, you will not have the business clientele that is moving there. Also, I certainly have not seen any great stampede out of Toronto yet.

**The Chair:** Do you have a question, Mr Daigeler?

**Mr Daigeler:** I would perhaps like to comment on the representation on that that last year we saw about 10,000 new vendors moving into the greater Toronto area, so when you are concerned about business moving out, it has not happened yet.

**Mr Zendel:** It was announced last week that 700 jobs were leaving the city, and one of their key elements was the cost of doing business in Toronto.

**Mr Daigeler:** That I—

**The Chair:** Excuse me. Mr Daigeler, you have made your comment, I would like him to respond. We are really running behind time and Mr Sterling has a question. Go ahead. Do you wish to respond?

**Mr Zendel:** Let me respond to a number of questions, first of all, your comment about the \$125 million. That was the target for the government, but the way the bill reads, or read originally, it would have captured somewhere between \$500 million and \$1 billion per annum. That was because parking was included as part of the area and that is part of the structural flaws we have pointed out.

With respect to the bureaucracy, there are exemptions in this tax. For instance, research and development firms are exempted. Unfortunately, it has not been defined in this bill, which is another problem of the bill, but what I do feel is that as people move in and out of buildings,

someone is going to have to keep track of that and that means a bureaucracy is going to have to exist.

**The Chair:** Do you need to add to that, sir?

**Mr Gooch:** Yes. I do not think we want to get into a debate on the administrative cost and other things. Those are not really the major points that we are trying to make.

I think there are two major points we are trying to make. One is that we do applaud the efforts and the objective of improving transportation in the region and there is no direct connection between the taxes collected and the funding of specific projects or within the GTA. That is point number 1.

Point number 2, which goes back to the question on paying our fair share, is that we think the legislation should have distributed the tax to everybody. There is no logical reason why a building of over 200,000 should be paying \$1 a square foot, as opposed to the concept that everybody should pay 15 cents or 10 cents a square foot. We are saying that there is no logical basis for a lawyer with a 1,000-square-foot office in the Toronto-Dominion Centre to be paying \$1 a square foot, or \$2, in fact, when somebody who is in a building of 100,000 square feet pays nothing. It just does not make any sense.

I think our major thrust here today is to try to point out that we think the legislation is inequitable. It does not make sense in terms of serving the best interests of the province, which is to improve transportation facilities and make the best use of those facilities, which is to concentrate urban transit in certain specific areas—

**The Chair:** I think I am satisfied. That is a very satisfactory answer.

**Mr Sterling:** I am very pleased to hear that Bill 46 is not going to require the creation of any new civil service jobs. I would like to challenge the Deputy Minister of Revenue on that during his estimates some day.

Anyway, I think it should be known as well that there are presently, as I understand it, about seven million square feet of unoccupied office space south of King Street in the main core of Toronto at this present time. That vacancy rate is growing at this time as well. So things are not all that well at this particular moment and the attractiveness of coming to Toronto is not that great.

First of all, on dedicated revenue, this government has just gone through taking away any idea of dedicated revenue, which is what you are asking for and which I, quite frankly,



personally support, in that it has stripped recreation groups and cultural groups of any idea of dedicated revenue through its Bill 119, which it has forced through this Legislature just recently.

You have a number of questions in terms of drafting comments which interest me to some degree. Definitions are very, very important in the interpretation of any legislation. Which definitions are of most concern to you in the clarity of what this legislation means?

**Mr Zendel:** I think they are all critical. "Shared facilities" is certainly going to have a major impact on how people are going to design their buildings, because if they are putting up a 300,000-square-foot project with two towers, they will be looking for ways not to fall into this tax.

I am not sure what "research and development facilities" means and how that is going to be defined. That is certainly going to require a bureaucracy, because a number of the firms in the downtown towers and major buildings could fall into that.

I think for the parking people, "seasonal basis"—I am not sure what that means. Does that mean someone operating a parking lot under a building in the downtown core just for the baseball season is not open to the public? I am not sure what that means.

Particularly, our industry wants to know when the tax commences. If you are putting a building up, does it commence when you have occupancy permits or when does that start? When does a building cease? I think these are items that have to be cleared up.

**The Chair:** Thank you very much and thanks for your presentation today. We appreciate your taking the time.

I would really remind committee members we have three groups to go through and less than 45 minutes in which to do it, so we must be brief, please. Our next presenters are Citizens for Property Tax Reform, if they could come forward. Out of necessity, because we cannot sit past six o'clock, I am going to have to restrict the time very tightly, unfortunately, but that is what we are stuck with. So welcome and please introduce yourselves and begin when you are ready.

#### CITIZENS FOR PROPERTY TAX REFORM

**Mr MacGregor:** Thank you. The gentleman to my left is Dale Ritch and my name is Storm MacGregor.

Bill 46, known as the commercial concentration tax, is the second phase of the provincial government's raid on the city of Toronto's property tax base. Phase 1 is the proposal adopted in September by a compliant Metro Toronto council that would, if implemented in 1991, strip over \$100 million per year for five years from the city of Toronto's tax base.

#### 1720

According to government estimates, phase 2, the commercial concentration tax, would remove approximately \$115 million per year from the tax base of the greater Metro Toronto area, including municipalities in Peel, Halton, Durham and York. Of the total tax revenues to be generated, \$67.5 million, or 59 per cent, would come from the city of Toronto, according to government estimates. The city of Toronto, however, estimates that well over \$80 million per year would be generated from the city alone. Thus, this new tax is directed primarily at the city of Toronto, with minimal effect on other municipalities except for North York, which will pay \$18 million per year, or 15 per cent, of the total tax.

The revenues generated by the tax are supposed to be spent on road construction in southern Ontario but will end up in the province's general revenue fund. There is no guarantee as to how or where the money will be spent.

This new tax constitutes an unwarranted invasion of the property tax field, which up to now has been the exclusive domain of the municipal level of government. To quote from a city of Toronto report,

"The more extensive the occupancy of the property tax field by the province, the less potential revenue from the same is available to municipalities and the greater the potential loss of the autonomy in spending power."

The commercial concentration tax is, in effect, a property tax which will be applied to commercial properties with more than 200,000 square feet combined building and lot area, including parking garages and lots.

It is especially ironic for us from the city of Toronto to note that the assessment base for the commercial concentration tax is derived from the unit assessment system, with a tax rate of \$1 per square foot per year on combined lot and building area in excess of 200,000 square feet. We remember only too well how the Ministry of Revenue ridiculed the city of Toronto and North York's proposal for a remarkably similar unit assessment system. We remember how the ministry refused to co-operate on its development, citing excessive costs of doing studies and



the paucity of data regarding lot and building measurements. Now the Ministry of Revenue, in an incredible about face, is going to use the very same unit system developed by the cities of Toronto and North York to pillage our commercial tax base.

It is also hypocritical for the government of Ontario to introduce a property tax levied on only one class of property when this same government has steadfastly refused to allow local municipalities to do likewise.

In conclusion, the commercial concentration tax should be rejected by the Legislature as an unwarranted intrusion into a tax jurisdiction which currently is the sole prerogative of the municipal level of government. Local governments depend almost exclusively on property taxes to finance their programs and pay their salaries and should retain exclusive jurisdiction over the property tax field.

Those are my comments and now I will ask Mr Ritch to elaborate on those comments, please.

**Mr Ritch:** I have a few brief comments. First of all, with regard to the Treasurer's comments yesterday about the GST perhaps threatening a recession in Ontario, perhaps Mr Nixon was crying wolf to set the stage for an early election call, but I think we should take him seriously. The threat of a serious recession is looming on the horizon, but the GST is not the only spark that could fan the flames of recession in Ontario.

How about the combination of commercial concentration tax and market value reassessment? The city of Toronto is now the 10th most expensive city to do business in in the entire world and the second in North America. If you throw the property taxes in, Toronto is even more expensive now than New York. We have escalating inflation, escalating wages, escalating costs of doing business.

Last week TransCanada PipeLines announced it is moving 600 jobs, mostly office jobs, to Calgary. The simple fact is that Toronto has priced itself out of the market. The commercial concentration tax seriously threatens the financial health of the city and therefore seriously threatens the financial health of Ontario, because the city of Toronto is the goose that lays the golden eggs in the province.

The question of autonomy is very important. Municipalities and school boards finance almost all of their expenditures through the property tax. There seems to be a strategy on the part of the provincial government to take over the autonomy that the municipalities and school boards have over the property tax system in Ontario. For

instance, the recent market value reassessment proposal of Metro council, which has been guided by the Ministry of Revenue, strips away controls that local municipalities have over the reassessment process.

The commercial concentration tax is a very big foot into the door of the pot of gold of commercial reassessment in Ontario. If successful, next year could see an increase in the per-square-footage rate from \$1 to whatever level the government would like to see. Is an extension to commercial properties of less than 200,000 square feet perhaps in the cards for next year? Perhaps we will have a concentration tax on residential or industrial, or perhaps an extension to other urban areas, such as Ottawa, which are experiencing growth or have experienced growth.

If the commercial concentration tax goes through and if market value reassessment goes through, then the city of Toronto is facing a serious threat not only to its fiscal autonomy but to its economic health. What is at stake here is the very health and life of the city of Toronto as we know it.

Just in conclusion then, I want to take up the issue that lies behind a lot of people seeing the city of Toronto as a city whose streets are paved with gold, a city that is very greedy, that has all this commercial assessment base that it wants to spend on itself and therefore people justify a commercial concentration tax, etc.

I would like to point out to the members of the committee that, for instance, the city subsidized the suburban school boards in Metropolitan Toronto to the tune of over \$130 million this year alone.

I would also like to point out to the members of the committee that in the city of Toronto there is close to \$900 million worth of tax-exempt assessment. We are talking about federal and provincial government institutions, hospitals, universities and colleges, churches, nonprofit organizations; \$900 million worth of assessment for which we get not one cent in tax revenue and for which the city of Toronto provides tens of millions of dollars, perhaps hundreds of millions of dollars, of services. Nobody knows for sure.

I just want the members of the committee to know that we are not a greedy city, that we have shared our commercial tax base in the past and that we continue to do so.

In conclusion, we request that this committee recommend to the Legislature that Bill 46 be defeated so that local municipalities of the city of Toronto and local municipalities across the

province can hang on to the degree of autonomy they already have over their absolutely crucial property tax system and so that a recession, to honour Robert Nixon's remarks, is not foisted upon the residents of the city of Toronto. This is a definite possibility for 1991 if the commercial concentration tax goes through.

**Ms Bryden:** I appreciate Mr Ritch and Mr MacGregor bringing before us the situation, which is that this tax is a direct challenge to the fiscal autonomy of the city of Toronto or of any municipality, because property tax is its main source of revenue. In addition, Mr Ritch has brought to us the concern that it could also be a threat to the economic health of the province if the municipalities do not have a proper tax base to carry on their plans. Of course, the province is already threatening their economic health by turning more and more services back to the municipalities, underfunding at the provincial level and expecting the municipalities to pick up the difference.

So it is a very serious situation for the city of Toronto and I think your headline, Phase 2 of the Province's Billion Dollar Tax Grab from the City of Toronto, aptly describes this tax.

If we decided against proceeding with this commercial concentration tax, do you think that the city can provide the necessary funding to increase our economic health and build up our infrastructure without the province doing its grab and not guaranteeing that we are going to get one penny of it? Can the city handle its own economic development?

**1730**

**Mr Ritch:** The city faces, as we know, very serious economic problems right now because of the escalating costs. For instance, there are no more industrial jobs being created in the city. We are facing massive loss of industrial jobs and we are now facing a loss of commercial jobs. I think the economic health of the city is directly threatened. To hold off on the commercial concentration tax for the time being, I think, would be a prerequisite to maintaining the economic health of the city, for sure.

**The Chair:** Thank you for taking the time to come today and submit your brief. We appreciate it very much.

Our next presenter will be the city of North York. Once again, we have set aside 15 minutes for your presentation and would ask that you allow some time for questions from committee members. We will, out of necessity, be changing over to the Parking Authority of North York in

exactly 15 minutes or we will run out of hearing time at the committee.

**Councillor Sutherland:** What we have decided to do, because of the time function, is we are going to combine our presentation, if that is okay with you.

**The Chair:** That is wonderful.

## PARKING AUTHORITY OF NORTH YORK CITY OF NORTH YORK

**Councillor Sutherland:** My name is Councillor Paul Sutherland and I am here in my capacity as chairman of our intergovernmental affairs committee. With me here today is our deputy mayor, Councillor McGuffin, and Councillor Yuill and Councillor Flynt. We also have the chairman of our parking authority, Bob Yuill, and our transportation commissioner, Vince Murphy. Also, our city solicitor is here, and Mayor Lastman's executive assistant is here as well.

**The Chair:** Who is minding the store? Mel.

**Councillor Sutherland:** We think this is an important moment, so we think the store is perhaps here today. We have three brief presentations and then we will open it to questions, bearing in mind the time. Bob Yuill first, please.

**Mr R. Yuill:** To make it quite clear what we are doing, I am the chairman of the Parking Authority of North York and Vince Murphy is the president and general manager. We are here to present the position of the authority only and not that of the city of North York, which will subsequently be presented. We have before us our presentation which I will read to you.

The city of North York parking authority is responsible for the provision of off-street vehicle parking within city limits. This is a nonprofit corporation and all surplus revenues are used to acquire, construct and maintain additional parking facilities.

By 1 January 1990 the authority will administer over three million square feet of parking space. The proposed levy for 1990 would be approximately \$3.1 million, of which \$315,000 would be directly levied against the parking authority, which I will tell you would wipe out our net revenue, the balance being picked up by the owners of property for whom the authority operates parking on management contracts, that is, the Toronto Transit Commission and various large corporations.

The authority is here today to impress upon this committee the negative and disastrous effect of the proposed \$1-per-square-foot tax on park-



ing facilities. We do not quarrel with, nor do we comment on, your need for additional funds for whatever purposes you deem to be necessary. We do object to your putting your hands into our till. We have not considered, nor have we any intention of, seeking additional revenue from your long-established tax sources such as gasoline taxes, sales taxes, corporation taxes, income taxes, etc. Your proposed intervention into property taxes on our parking facilities is unwarranted in that you already have many sources from which to raise and increase your revenues.

Each parking space requires a gross area of approximately 300 square feet. The experienced usage of parking facilities is about 250 days per year. Thus your proposed commercial concentration tax will add an additional cost of \$1.20 per day to the motorist. If we had thought that the motorist would pay this additional cost, we would have raised that price a long time ago. We do not think he will. Thus, most of the municipal parking lots in the greater Toronto area will raise prices \$1.20 per day, go out of the parking business, go bankrupt or add it on to the home owners' property taxes.

It must be reiterated that the levy as it now exists is an across-the-board tax with no regard for the purposes of the parking facility, the size of the facility or the ability to pay. Many of the authority's car parks are developed notwithstanding that they are, in fact, subsidized in order to further the goals of sound transportation planning.

Our business is to provide for the motoring public, on whom you already make many millions of dollars in sales taxes. We ask that when you present Bill 46 to the Legislature, the municipal parking agencies governed by the Assessment Act be excluded from the commercial concentration tax, in that we are nonprofit and use the revenues for the provision of necessary additional parking.

**The Chair:** During the presentation I will ask committee members to make notes of any questions they have of Mr Yuill.

**Councillor Sutherland:** Councillor McGuffin, please.

**Councillor McGuffin:** In the provincial budget of May 1989, as you indeed know, the provincial Treasurer (Mr R. F. Nixon) announced that the owners of commercial structures of 200,000 square feet or over and all commercial parking lots and garages within the greater Toronto area would have to pay an

additional \$1-per-square-foot-per-year levy, effective January 1990.

This initiative, now known as the commercial concentration tax under Bill 46, was intended for capital spending in the greater Toronto area. While we recognize the needs of the greater Toronto area, as a member of council for the city of North York and the deputy mayor, I am here today to join my colleagues in presenting our objections to you to what we perceive as an invasion of the business and commercial tax base of municipal governments.

The imposition of the commercial concentration tax has the potential to be counterproductive to the goal of the Metropolitan Toronto plan for the development of commercial subcentres in the Metro Toronto area. One of those subcentres is, of course, the North York downtown. I point out that the Metro plan was supported and endorsed by the province of Ontario. The application of the commercial concentration tax on commercial parking lots operated by municipal governments is a dangerous departure from the long-established principle that municipal properties and property used by municipalities would be exempt from taxes at the provincial level.

The chairman of the North York parking authority has spoken at some length on this matter and provided you with the financial impact that a commercial concentration tax will impose on the parking users in the city of North York. Many people commute to the Metro boundary from long distances within the greater Toronto area and the commuter parking lots at the terminals of the Yonge and Spadina subways will be severely impacted in that they will probably have to double their rates. This would seem to be contrary to the general objective of encouraging a greater modal split towards public transportation, which has been the objective of planners and traffic officials, not to mention politicians, in local municipalities, Metro and the province.

Members of the standing committee on finance and economics affairs, I want you to know that we strongly endorse the stand taken by the council of the municipality of Metropolitan Toronto, which you will hear next week, and the Association of Municipalities of Ontario as well. Many of the AMO members have individually registered their objections towards your intrusion into the municipal tax area by the commercial concentration tax proposal.

You have received copies of the statement setting out the stand of the city of North York. On



behalf of our residents and businesses, I would ask that you please heed it.

**Councillor D. Yuill:** When I learned of the content of the proposed Bill 46, I immediately introduced a motion to the council of the city of North York, a copy of which is attached, which strongly objects to the provincial government's intrusion into regular annual property taxes. As you are well aware, this has been the jurisdiction of local municipalities. In fact, it is almost all of our source of revenue.

I ask you, if you invade our tax territory at \$1 per square foot, what is to stop the province in the future from going to \$2 per square foot or increasing it at the rate of inflation? Furthermore, what is to stop the government of Ontario from imposing taxes on commercial properties of less than 200,000 square feet? Once the door is open, who is to stop the province from plowing it down and quite possibly in the future imposing an annual tax on all residential properties?

We ask that you reconsider the principle of this proposed Bill 46, the property tax. It will have many ramifications in municipal governments and stir up agitation for us to look into new sources of revenue which you have traditionally considered as your exclusive territory.

1740

We have received many letters from constituents of ours in the commercial field, one of which I would just like to read a few lines out of. This is from a landscaper, I guess you would call him.

He says, "I oppose it because it is inequitable and unfair on retailers. Our small chain of eight garden centres will eventually have one location in Oakville paying the tax and another, only five miles away in Mississauga, not paying the tax. If that does not change the competitive nature of our business, I don't know what does."

He goes on to say, "You should have no illusions that this is a tax that will be passed on to the general public through retail prices. This is a very substantial tax. As an example, the anticipated profitability of our new Oakville store in the Oakville Town Centre will not be profitable for at least six years, according to our calculations, compared to the anticipated three years we have projected for profitability. It just doesn't make sense. If we had a location in a shopping centre or a mall that totalled less than 200,000 square feet, we would save anywhere from \$50,000 to \$70,000 per year."

**Councillor Sutherland:** To wrap up, we have a tax base that is being eroded by provincial government policies. We have taxpayers, both commercial and residential, who are facing

double-digit increases every year—last year, this year and probably next year—and have simply said that they cannot afford it. We cannot afford to continue to go to the property tax base to pay for many policies that are coming into place from a provincial initiative.

We have, frankly, dwindling provincial financial support. We have reduced support for road construction, decreased support for recreation, mandatory programs in the public health area, new levy initiatives like Bill 20—which we have no idea how we are going to manage—and perhaps most important, reduced support for unconditional grants, which illustrate how the property taxpayer is being stretched beyond all appropriate limits. It is a cash cow that is being used, and now it is being abused. We cannot continue to milk that cow until it is dry. We do not know when the straws can hit the camel's back, but this type of tax, an unusual intrusion into the municipal tax base, may in fact be the one. This is our biggest concern.

There has never been any historical initiative on the part of the province to intrude into the property tax base and to try to create additional funds from there, nor, frankly, do we believe that there really will be any moneys returned to the municipal structure in the way that it is drawn out in the greater Toronto area. These are all the concerns that we have and we will open it now to questions.

**Ms Bryden:** Since we do not have much time, I will be very brief, but I do congratulate the entire group for bringing to our attention the effect on the fiscal autonomy of municipalities. I think a tax of this sort is very serious in that case.

You have mentioned a word that has not been mentioned for quite a while as part of provincial policy and that is "decentralization," the development of town centres regionally. You are not going to get that, in my opinion, unless the municipalities are able to run their own affairs and develop their own infrastructure. Do you feel that decentralization has been dropped by the province as a goal, or are you people still trying to work for decentralization into regional centres?

**Councillor McGuffin:** I think that decentralization is inherent in the MetroPlan, the official plan for Metropolitan Toronto, which was endorsed and supported by the province. It is there on paper, but all the things that have been happening would lead us to believe that it is only lipservice and that they are not really intending to support it.

**Ms Bryden:** I think you have answered my question.

**Mr Reycraft:** I listened to your protests about the provincial intrusion into the traditional tax base of municipalities. I guess if the province intended to use the revenues from this tax for schools, hospitals or social services, that criticism would be justified, but that is not the case. In the budget this initiative was tied specifically to the transportation capital program. A commitment was made that \$1.2 billion over five years would flow to municipalities for transportation projects within the greater Toronto area.

It was also indicated that the revenue for that transportation capital program, for that \$1.2 billion, would come from the area that would benefit from it. What is wrong with that?

**Councillor Sutherland:** We cannot understand why a government with a \$40-odd-billion budget and many sources of areas to tax the citizens of Ontario needs to intrude into the property tax base to collect \$125 million for that purpose. Nor do we necessarily, with all due respect, believe that that money will in fact be used for the transportation network within Metropolitan Toronto on an ongoing basis, nor do we feel it will stay at \$1 a square foot. We think it is probably the beginning of additional taxes to come down the road. Maybe somebody else—

**Mr R. Yuill:** From the Parking Authority of North York's point of view, it is our opinion that you already have an organization, the system and the basis to acquire those taxes for that specific purpose. What we are saying is, stay out of our backyard. This is our territory. You already have a territory. If you need money or you think you need money for new roads, bridges, whatever, put it on the gas tax, put it on the licence tax, put it on any of those taxes that you are already getting and use it for that purpose; but realty taxes on parking lots to me is wrong and is counterproductive.

If you have got a need for money—and I am not suggesting you do not—stay out of our backyard and we will stay out of yours.

**Mr Sterling:** I always get a charge out of government saying that it intends to use money in whatever way, and I always consider it very arrogant of a government that has approximately two years left in its mandate, if that, to say that it is going to rule for the next five years. Hopefully, that will not be the case. Maybe you can help us out in that regard.

**Mr R. Yuill:** Depends on how you vote.

**Mr Carrothers:** You, of course, never made a commitment longer than five years.

**Mr Sterling:** Well, never mind. We never invaded the municipal area of taxing authority either.

**Councillor D. Yuill:** A good debate here.

**The Chair:** No, it isn't.

**Mr Sterling:** I am quite willing to participate.

I guess my question is—I know how repugnant the whole Bill 46 is—is there anything that you can suggest that would make it more logical or more reasonable in terms of either administration or fairness to your constituents?

**Councillor D. Yuill:** First of all, we feel it is unfair that you are invading the municipal property tax to begin with.

**Mr Sterling:** Well, so do I.

**Councillor D. Yuill:** If it is your full intent to make it fair, as one gentleman earlier said, to even it out a little more, I totally disagree with it to begin with. As far as spending \$1.5 billion in the next five years in the GTA, we have had no commitment at all that any of the money is going to be spent in Metropolitan Toronto. As a matter of fact, Gardner Church, who represents the government, indicated that not one penny of this commercial concentration tax would be spent in Metropolitan Toronto.

**The Chair:** Thank you very much. Mr Daigeler, the final question.

**Mr Daigeler:** I would like to contend that there is a significant difference between the property tax and this particular tax at which we are looking. As you know, the property tax is based on all the properties and on assessed value whereas this particular tax is of course limited and based on square footage. I do find it a little bit difficult. I represent an Ottawa area municipality—

**Interjection:** Anybody here from Toronto?

**Mr Daigeler:** I do find it a bit difficult that the municipalities are always saying that they are soon going to go broke, or that the property taxpayer is soon going to go broke, when we look at the debt situation of the municipalities which really, compared to the province, is very favourable.

While I can appreciate that you are trying to make a very strong case with regard to the property tax base, I think I would suggest that perhaps many of the functions the municipalities have been providing have been financed out of the property tax base without looking at some of



the other options that are available to finance, in particular, long-term projects.

**1750**

**The Chair:** There is a question there somewhere.

**Mr R. Yuill:** Could you run that by me again?

**The Chair:** No. He cannot run it by you again. Mr Acting Mayor, would you like to respond?

**Councillor McGuffin:** I guess the concern that we all have, as has been pointed out earlier in our presentation by Paul Sutherland, is that we see reductions in nearly every field in which the provincial government has been involved for so many years. In 1986, Metropolitan Toronto made a commitment with respect to Network 2011, the transportation project. Nothing has happened on that. I realize that money has been spent by the province for the study but nothing has happened.

Is there a hole under Queen's Park or where the hell is all the money going? We hear about all these things, but there is a lot of revenue coming in. We are the machine that drives most of Canada in southern Ontario. Where is the money going that is coming into this province? Are things so out of control that we do not have money to spend on all of the things that traditionally have been maintained by the province?

**Councillor Sutherland:** I would like to add, too, that this is a tax on the property taxes in Metropolitan Toronto. There is no question about that. I do not think municipalities should be penalized for running good, fiscally responsible governments, because that is what we are doing; and to suggest that we should only go in debt to pay for these services. If you really wanted the municipalities to handle this infrastructure the tax should go to the municipalities. We will get the infrastructure going properly if we have that money, but we do not have that money. We can do a better job than the province on this. We have shown it in the past and we can show it in the future.

**The Chair:** I have a final questioner and I do not wish to enter into a debate, but I can tell you that one third of every dollar that comes in here goes right out in the health care, which is a pretty big haul. But in any event—Mr Carrothers.

**Mr Carrothers:** I wonder if I could ask Councillor Yuill. You read out a letter; and I am sorry, I missed the name of the enterprise that had written that. Was it a nursery operation in Oakville?

**Councillor D. Yuill:** Yes. It was Weall and Cullen Nurseries Ltd.

**Mr Carrothers:** Weall and Cullen at the Oakville Town Centre?

**Councillor D. Yuill:** Right.

**Mr Carrothers:** Were you saying that they were objecting to the fact that that nursery property was being taxed?

**Councillor D. Yuill:** They have one going into the Oakville Town Centre as well as another one in Mississauga. One will be taxed, one will not be. They are within five miles of each other but one will be taxed, I guess, another \$50,000 to \$70,000 per year over the other one.

I just might add something else expanding on what Paul said. This is a property tax. It is not a one-time thing. It is not a transfer tax. We rely on a lot of our commercial entities for assessment so we do not have to get the individual property owner, the residential property owner. In doing this, if we felt the money was there as much as the parking authority felt the money was there, we would have done this a long time ago. We are trying to keep the businesses in Toronto. As it was brought up a little bit earlier, if we do not keep the business in Toronto—Metropolitan Toronto, the greater Toronto area, actually subsidizes a lot of the rest of the province for that matter.

**The Chair:** Okay. I would like to thank you particularly for combining your presentations. I think it helped us a great deal to get out and get things done on time; so thanks for your time.

**Mr R. Yuill:** Mr Chairman, we look forward to your enthusiastic support.

**The Chair:** Nice to see you here today. Thank you to the members of the committee for co-operating to make sure we got all our hearings in. We will look forward, hopefully, some time next week to a decision on an extra day or so for hearings.

**Mr Sterling:** I was talking briefly with Mr Runciman who is a regular member of the committee, I believe—

**The Chair:** Right.

**Mr Sterling:** —and he had no objection to meeting in the afternoons of the suggested dates, but he had an objection to extending the hearings into the evenings.

**The Chair:** If we can meet on the afternoons of those two days, the 27th and 28th, we do not need to go into the evening.

**Mr Sterling:** He agreed to that.



**The Chair:** He did.

**Mr Sterling:** If, in fact, that is a problem then he would not deny the committee any right to start on time and go ahead in his absence.

**The Chair:** Ms Bryden, between you and Mr Morin-Strom or Mr Mackenzie, would we be able to have someone here for those—

**Ms Bryden:** The 27th and the 28th?

**The Chair:** Right. In the afternoon.

**Ms Bryden:** I am free, both of those days.

**The Chair:** Could we have a motion then?

Mr Sterling moves that the standing committee on finance and economic affairs meet on the afternoons of 27 and 28 November.

Motion agreed to.

**The Chair:** That is great. Then we will contact the groups and set up the appointments and that should allow us to hear—I think we are up to 22; after lunch today, there were an additional five that came in.

Anything else to come before the chair?

**Mr Sterling:** If it requires three days, we are not averse to looking at extending it.

**The Chair:** Okay. We have permission to sit for two days and we will try to do it during that time. The committee is now adjourned.

The committee adjourned at 1756.

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## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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**Witnesses:**

**From the Canadian Manufacturers' Association:**

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Nykanen, Paul A., Vice-President, Ontario Division

**From the Ontario Painting Contractors Association:**

Hruska, Frank, Past President

**From the Council of Ontario Universities:**

Monahan, Dr Edward, Executive Director

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Kobre, Lawrence J., Group Product Manager, Payroll Products, Corporate Marketing and Business Services

**From the Retail Council of Canada:**

McKichan, Alasdair J., President

Niblett, Richard, Vice-President, Real Estate; Kinney Shoes of Canada

**From the Board of Trade of Metropolitan Toronto:**

Hall, G. E., Taxation Committee

Ward, Michael, Taxation Committee

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Sutherland, Paul, Councillor

Yuill, Don, Councillor

McGuffin, Jim, Councillor













No. F-6

# Hansard

## Official Report of Debates

### Legislative Assembly of Ontario

#### **Standing Committee on Finance and Economic Affairs**

Commercial Concentration Tax Act, 1989

Employer Health Tax Act, 1989

#### **Second Session, 34th Parliament**

Thursday 23 November 1989

Speaker: Honourable Hugh A. Edighoffer

Clerk of the House: Claude L. DesRosiers

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 23 November 1989

The committee met at 1014 in room 151.

### COMMERCIAL CONCENTRATION TAX ACT, 1989

### EMPLOYER HEALTH TAX ACT, 1989 (continued)

Consideration of Bill 46, An Act to establish a Commercial Concentration Tax, and Bill 47, an Act to impose a Tax on Employers for the purpose of providing for Health Care and to revise the requirements respecting the payment of Premiums under the Health Insurance Act.

**The Chair:** I am going to call the meeting of the standing committee on finance and economic affairs to order. Someone from the Progressive Conservative caucus may join us shortly, but in any event, these proceedings are televised and recorded in Hansard, so there will be every opportunity for that member to review the submissions. We have an agreement from them that due to other pressures, if they are unable to be here at a specific time, the committee can conduct its affairs.

Good morning and welcome to the committee. We have a number of deputants this morning. We are already some 15 minutes behind, but just very briefly to tell the members of the public who are here, we have a number of people who wish to make deputations to us on both Bill 46 and Bill 47, the commercial concentration tax and the employer health tax. Because of the large number of requests, we are holding our deputations, basically, to 15 minutes. The Chair has to be, not in a mean-spirited way at all, firm and control the questions. We are basically allowing one question per caucus unless we have additional time.

Having said that, our first presenters this morning are the Union of Ontario Indians. I believe Joe Hare, deputy grand council chief, is with us this morning. Perhaps you can come forward, introduce yourself and your associates for the purposes of Hansard and begin when you are ready.

### UNION OF ONTARIO INDIANS

**Deputy Chief Hare:** My name is Joseph Hare. I am the deputy grand council chief for the Union of Ontario Indians.

**The Chair:** You may be seated, so the microphone will pick up your comments.

**Deputy Chief Hare:** Accompanying me are Carrie Hayward and Bob Watts, also from the Union of Ontario Indians.

I would like to thank the committee on finance and economic affairs for the opportunity to appear before you today. For your information, a written copy of our submission has been provided.

We have sought to appear before the standing committee to present our concerns and recommendations with respect to Bill 47, the Employer Health Tax Act, which proposes the imposition of a levy on Ontario employers for the purpose of providing health care. We recognize, appreciate and support the government's efforts to eliminate OHIP premiums, which were a financial barrier to insured health services for certain residents. In this effort, however, the proposed legislation will, as drafted, constitutionally encroach on first nations' governments and lands through the attempt to impose provincial taxation on Indian reserves and activities conducted thereon, and this tax will infringe on the operations of first nations' governments, institutions and businesses.

Our specific concerns are these: The Anishinabek, which is represented by the Union of Ontario Indians, is a confederation of 43 first nations located throughout southern, central and northern Ontario, with a population of 25,000. Since our earliest relations with respect to taxation in Upper Canada in 1819, and as documented in the Ontario Indian Act of 1850, your statutes have provided exemptions to Indian people for property, goods and land. These provisions continue to this day through the Retail Sales Tax Act, gasoline tax regulations and tobacco tax regulations. Other decisions worthy of note and applicable with respect to the proposed Employer Health Tax Act are the court's findings in *Nowegijick vs the Queen* regarding income tax exemptions for Indian persons whose payroll cheques are issued from a reserve-based employer and interpretations of the Income Tax Act as it applies to Indian property.

Of interest to the committee, and related to the application of this levy, is the nontaxable nature of our governing bodies. As first nations, we



have never surrendered our right to self-government. However, until constitutional amendments affirm our position, our 43 first nations are directed by band councils which are duly elected or chosen by custom and created by virtue of subsection 2(1) of the Indian Act, a federal statute. These band councils are not incorporated, and thus are not taxable by either level of government. Likewise, the majority of businesses developed and managed by our people operate under the legal definition of proprietorships without corporate status, which exempts them from taxation pursuant to section 87 of the Indian Act.

Incorporated businesses owned wholly by Indian people, and whether organized for gain or nonprofit purposes, should receive similar treatment by the province. Although a corporation is not an Indian person for the purposes of the Indian Act, and thus does not benefit from its provisions, we propose that the circumstances of their operations should be given consideration. Generally, the institutions include the promotion of social, political or economic development of first nations and their members. Most of these nonprofit corporations have been forced to incorporate in order to access government agency and foundation grants or contribution agreements which enable them to operate effectively.

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In the second situation, of incorporated-for-profit businesses, we would like to note that very few Indian businesses fall within this category. In fact, many of these operations have been forced to incorporate by the federal government in order to access economic development funding. For example, the 1989 Canadian aboriginal economic development strategy requires incorporation as a condition of approval. We believe that these commercial ventures should be exempt when these corporations are located in an Indian reserve and all the equity shares are held and voted by Indian people.

Finally, we would like to draw a parallel between the previous system, which legislated the collection of premiums, and the proposed premium-free system replaced by the employer health tax. In both instances, the premium and the proposed tax are collected for the purpose of providing health care. Through negotiations of pre and post-confederation treaties, first nations have contributed, in perpetuity, for provision of health and social services. Since the inception of the Ontario health insurance plan, Indian people have not been required to pay premiums by the

province of Ontario. Nor were premiums paid to Ontario on behalf of Indians by a third party. We therefore question the application of the proposed tax, ultimately achieving the same purpose as OHIP premiums, to our employers, who continue to be Indian people.

To date, we have sought clarification from the Minister of Revenue (Mr Mancini) on the employer health tax, and through correspondence we have established that some exemptions would be recognized. Specifically, Mr Mancini stated that "remuneration paid by corporations operating on a reserve to persons who qualify as Indians under the Indian Act will not be subject to the EHT," and further, that "where the corporation carries on business on a reserve and hires both Indian and non-Indian employees, it will pay the employer health tax only on remuneration paid to the non-Indian employees." In addition, the Ministry of Revenue's EHT guide indicates that "native people transacting business on a reserve and payrolls relating to native people working for a corporation on a reserve" would be exempt.

These statements by the minister and his department have attempted to recognize Indian concerns by exempting status Indians' payroll from the EHT. We strongly recommend the exemption of Indian employers for the following reasons:

1. For both profit and not-for-profit corporations, an interpretation of the taxable status of these businesses on the basis of personal property is required. Specifically, when a nonprofit corporation identifies, in its objectives, the direction for dissolution of its assets is to its Indian members (whether persons or other nonprofit organizations), ultimately these assets are the personal property of Indians by virtue of section 87 of the Indian Act. Likewise, if all of the voting shares in a for-profit corporation located on an Indian reserve are held by Indian persons, the dividends of the business are the personal property of Indian people, again by virtue of the Indian Act and supported in the Income Tax Act bulletin.

2. As the act stands, Indian employers would be required to pay a provincial tax for non-Indian employees, and these businesses do not currently pay provincial taxes.

3. The number of Indian corporations is relatively small, and the tax, if collected, would not result in significant income for the province of Ontario.

In order to address the concerns raised previously, and to prevent further misinterpreta-

tion or any ambiguity which may result from reinterpretation or analysis of the minister's policy division, we propose the following amendments to Bill 47.

Additions to subsection 1(1): "band council," "Indian" and "Indian reserve" have the same meaning as in the Indian Act, Canada.

"Indian corporation" is a legal entity, which

"(a) means when 'for profit,' all the equity voting shares are owned, held and voted by one or more Indian persons; and

"(b) means when 'not for profit,' the provision for dissolution of the corporation specifies that the recipients of the proceeds from dissolution are Indian persons, band councils, for-profit Indian corporations, and/or nonprofit Indian corporations which have similar dissolution provisions;

"and has an in situ location as designated in its charter or bylaw as being located on an Indian reserve."

Further amendments to subsection 1(1): "Employer" means a person or a government, including the government of a province, territory or Canada, but does not include a band council, an Indian or an Indian corporation which pays remuneration to an employee."

In the act, there is no specific mention of Indian people. Indian people are a reality in Ontario, and we submit that there should be specific reference to that fact. The rationale for these amendments, if accepted and enacted, would have the following effects:

1. Maintain the intent of the government and its act by focusing on the employer for the purpose of taxation and recognize the circumstances surrounding Indian taxation and incorporation;

2. Provide a clear and concise statement regarding the status of first nations' governments, businesses and institutions with respect to the employer health tax;

3. Would render that act consistent with other legislative and judicial precedents established with respect to Indian people, businesses and governments operating on Indian reserves;

4. Recognize that first nations' governments are not taxable corporate entities, and most Indian businesses are not incorporated;

5. Recognize that where first nations have created legal entities, they have done so for the purpose of receiving government or charitable funding to realize social, political or economic development objectives;

6. Allow first nations, their organizations and Indian businesses continued flexibility in their

hiring practices, since imposition of the EHT could preclude and inhibit the hiring of non-Indians if these operations were forced to act as provincial tax collectors;

7. Reduce administrative efforts and costs in (a) the application of taxes to some businesses, but not others, (b) identification of the Indian status of employees and (c) adaptations of bulletins and other information to ensure accuracy for first nations' use; and finally,

8. Recognize first nations' ongoing contribution to the economy of Ontario through lands and resources, as well as to maintain consistency with previous practice whereby premiums were not collected from Indian people for insured health care services.

In conclusion, we ask that you consider and recommend the suggested clauses. Without these amendments, at minimum, an exemption through regulations enacted pursuant to clause 37(1)(f) would have to be provided. Thank you. We will be pleased to answer any questions.

**The Chair:** Thank you very much. We have about two minutes, and we do have a couple of questions. Mr Reycraft and Ms Bryden.

**Mr Reycraft:** I want to thank Mr Hare, Miss Hayward and Mr Watts for their presentation this morning. I have met with Miss Hayward a couple of times, and with each of the gentlemen once, to discuss Bill 47. I think we have succeeded in eliminating some confusion that existed with respect to the bill, but I also acknowledge there are still some outstanding issues.

The second recommendation in your brief does not specify any difference between Indian employers who are incorporated and those who are not. I do not think there is any confusion about this, but it is understood that the employer health tax will apply only to incorporated Indian employers located on reserves. It will not apply to any Indian employers, regardless of whether or not they are employing Indians, or non-Indians, under the definition in the federal legislation. Is that correct?

**Deputy Chief Hare:** Our understanding is that in the event an Indian employer employs non-Indians, he or she may be required to pay the tax on behalf of those non-Indians.

**Mr Reycraft:** I do not believe that is the case unless the employer is incorporated.

**Deputy Chief Hare:** Yes, but our contention is that it is the same difference. The Indian people, individually, enjoy the exemption, and collectively, when they come together and form a corporation, they should still have that exemp-



tion. If they do not have it, and if they have employees who are non-Indian, then you have Indians who historically have been exempted from paying your health tax and other taxes and who now will be required to pay taxes for non-Indians.

**1030**

**Mr Reycraft:** Can I just ask whether there is any precedent in federal or provincial legislation for defining an Indian corporation?

**Deputy Chief Hare:** No, there is not, and we look to this committee to recognize the circumstances of Indian corporations. We believe that since you are enacting new legislation, we would look to you to set a precedent of sorts in this case.

**Ms Bryden:** I welcome Deputy Chief Hare. I think it is very important that he has brought to our attention this problem. I think the fact that it was not even thought of shows the haste in which this bill was drafted; there is no special consideration recognizing the special relationship of the native people with the crown in the right of Canada not to pay taxes. I think that is the crux of the need for an exemption. I am surprised that the provincial Treasurer has not looked at that in his statement, "No exemptions."

What I would like to ask is, if any corporation, either incorporated or not incorporated, operates on a reserve and employs people, whether they are Indians or non-Indians, should it not be declared eligible for the no-tax situation that applies to all Indian people as defined in the Indian Act? Should we not be demanding an amendment to clarify that situation and say that, whether they are individuals or incorporated groups, as employers they should not be required to pay taxes because that is in the Indian Act and applies to everybody who operates on a reserve? Is that not what we should be asking?

**Deputy Chief Hare:** Yes, that is what we are politely trying to do.

**Ms Bryden:** But it is not clear in the act, in your opinion?

**Deputy Chief Hare:** No, it is not clear. It does not address the status and does not recognize and does not even mention the fact that there is an Indian presence in the province of Ontario. We would like that to be put into the legislation so that we avoid misinterpretation. It has been the case historically that when references are made in an indirect manner as regards Indian people, misinterpretations do occur. Then we begin to lose certain rights and benefits that we had previously enjoyed. That is one of the main reasons we would like noted in the legislation

who we are, and then of course our concerns addressed.

**Mr Runciman:** You mention in your brief about legislative and judicial precedents. I am wondering, if the government is not responsive to what you have presented today, do you see any options open to you, perhaps through the courts since you are mentioning legislative and judicial precedents? Is there any other option open for you if indeed the government is not responsive?

**Deputy Chief Hare:** I will refer that to Mr Watts.

**Mr Watts:** I can certainly see, through the legal precedents that have been set through the courts, that in the case of employer health tax Indian first nations and, in particular, nonincorporated Indian bodies on reserves would end up enjoying a nontaxable situation if the employer health tax were challenged in court.

What we are trying to do through our brief is to prevent that type of situation. We feel that it could be easily amended, both through legislation and regulation, to avoid that type of process. But I am confident that if in fact the employer health tax were challenged in court, we would have no problem seeing a judgement in our favour.

**The Chair:** Thank you for that answer and thank you very much for coming this morning. We do appreciate your concerns and your brief and your time.

Our next deputation is the Federation of Temporary Help Services and there is a fairly large group. Come forward, please. Once again, we have allotted 15 minutes for your presentation and would appreciate it if you would introduce your group for the purposes of Hansard and begin when you are ready.

#### FEDERATION OF TEMPORARY HELP SERVICES

**Ms Dowling:** My name is Dorothy Dowling and I am from the Federation of Temporary Help Services. I will introduce my colleagues on my left: Lynn Manning, Ted Turner, Maureen Quinn and Derek Osler.

Thank you for the opportunity to present this brief this morning. Before I present our brief, I would like to begin with the statement that the Federation of Temporary Help Services is in full support of this legislation. We recognize its benefit to both our employees and our industry at large.

The purpose of our brief today is that we are looking for some consideration from the committee in terms of the remittance process. What we are looking for, as opposed to a 30-day



remittance process, is that we would like to ask for some consideration that the 90-day remittance process be extended to our industry.

I would like to just go through our brief with you and point out some highlights, beginning with our introduction. The Federation of Temporary Help Services has been around since 1968. There are approximately 400 offices around Canada and we consider ourselves to be the voice of the industry. In total, we have a payroll of about \$800 million. So we consider ourselves to be a significant employer in Canada.

The types of work that we supply to employers are office administrative and support staff, data and word processing, industrial labour, marketing, technical and professional health care.

It is very important for us to distinguish what part-time work is and what temporary labour is. The definition we operate with is as follows: Temporary work means the full-time performance of a task, although of limited duration. The employees of a temporary help service company work full-time at the client's place of work until an assignment has been completed.

I will go over to the next page of our brief where we talk about our role and the role of the employee and employer. The temporary help service company is an independent organization which provides its own employees to perform work for its customers on a time basis, usually at the customer's place of business. Thus the temporary help service may be referred to as an off-site employer. We are the employer of record and in this capacity we assume all the obligations and responsibilities of a traditional employer, including training, payroll administration and related legal requirements.

The assignment length for which an employee may be placed may vary from one day to one week in duration. Temporary workers are paid at the completion of the assignment, and that usually occurs on a weekly basis. A temporary help service company assigns its own employees to provide assistance to customers in handling excess or special workloads. From this perspective, we have a very traditional supplier-purchaser relationship.

In terms of our billings to customers, when we collect payment from our customers the payment period is anywhere between 45 to 120 days. However, as I mentioned previously, our temporary employees are paid on a weekly basis.

I would like to talk a little bit about the unique nature of the temporary service industry in terms of who we are. I would like to go through it point by point.

The first point is that our product is the skill of our temporary employees. Unlike other industries, we receive payment for the product only after it has been purchased and used. Employees are our major expense; they take approximately 72 per cent of our revenue, a portion much greater than other industry categories.

I would like to refer to exhibit I, which follows the last page of our brief, where we have demonstrated, in terms of the various standard industrial classifications, the percentage of labour that is comprised in total revenue. You will see that temporary services is the last point on that particular exhibit where it demonstrates that 72 per cent of our revenue goes out in terms of wages to our employees. If you contrast us with something like manufacturing, it is at approximately nine per cent. The service sector is at 58 or 59 per cent and primary industries are at 59 per cent. Those would be our closest industries of comparison.

#### 1040

Now I will just refer you back again to some other points about the nature of our business. We contribute about \$600 million to Ontario industry and we employ approximately 39,000 workers on a daily basis. The industry is comprised of many individual operations employing fewer than three permanent workers. To the best of our knowledge, all Ontario temporary services qualify as small business under the definition of the Ministry of Industry, Trade and Technology.

The majority of temporary service companies are owned and operated by individual entrepreneurs who carry large lines of credit, sometimes exceeding \$100,000 per month and ranging up to \$1 million per year. A small operation of two to three permanent staff people can easily have an annual payroll of approximately \$1 million per year.

The majority of temporary help services, if reviewed as to other definitions of small business, would fall well within the range of definition of small business, and this is what I am referring to in terms of the Ministry of Industry, Trade and Technology.

The addition of the 1.98 per cent on payroll and the carrying costs from the bank will put pressure on many of our members. So the issue that we are looking for consideration for is under the working definition that is used by the ministry we would fall within a definition of small business. Our payroll, because we have such large payroll capacity, puts us into the large business category for the purpose of the employer health levy. What we are looking at from

the committee is some special consideration on this particular issue.

I will go to the last page on the temporary service industry and health coverage. While we are very supportive of the government's action to remove OHIP payments, this move puts a new burden on an already labour-intensive industry. Traditionally, given the nature of the employer-employee relationship, health coverage in the form of OHIP payments has not been a direct cost of temporary service. Less than five per cent of our temporary workers were covered under traditional OHIP premiums as previously established, so the addition of the employer health tax will cause substantial cash flow strains for many of our members.

In summary, the recommendation that we are looking for in terms of consideration from the committee is that temporary service companies be given special status within those employers that have annual remuneration in excess of \$400,000. Given the structure of the industry and the unique nature of its payroll requirements, the temporary service industry should be allowed to remit the employer health tax levy on a quarterly basis.

**Ms Bryden:** I appreciate your bringing your brief to us and telling us about your very specialized operation, but I think it has much broader implications. It indicates to us the effect of the employer health levy on extremely labour-intensive industries, and that is one of the reasons why the New Democrats oppose this tax, because its incidence is not equal at all. It is not a fair tax between different employers. If your group were exempt, what other source of revenue, besides the employer health tax levy, which does not seem suitable for this, could be used to replace the OHIP premiums which we all agree should be removed? They are acting as a barrier to easy access to health care. Would you favour, say, a larger corporation tax, for example?

**Ms Manning:** We are not really asking to be exempt. We believe in the tax and we are quite happy to be covering our employees with this tax. What we are asking for is just that we do not have to pay monthly; we would pay quarterly, just on a cash flow consideration, because we really have primarily small-business employees.

**Ms Bryden:** This has not been brought to the provincial Treasurer (Mr R. F. Nixon) before now, so I think it is valuable that you have brought the effect on your operation of such a tax, but I also think labour-intensive industries are paying an unfair share.

**Mr Daigeler:** I just want to make it very clear, because actually in your written presentation it sometimes is perhaps not as clear as it could be, that in fact you are not opposing the imposition of the tax. You are ready to pay your share, as it were. You are asking for a quarterly rather than a monthly remittance. My question there is, have you done any calculation on what kind of saving that would be to you? Are we in fact talking about substantial carrying costs if you have to pay monthly versus quarterly? I am wondering whether we are really talking about such big numbers here.

**Mr Turner:** It is a cost we currently do not bear. I operate a small-to medium-sized temporary help service. If we have to pay the tax on a front-end basis, we are in fact adding to the cost of doing business by adding approximately two per cent to our payroll, which, by large business definitions, probably qualifies; by small business definitions it does not. It means that we have to arrange for an additional two per cent of payroll in January and February and March, when the business that we transact in January will not really be collected until April. It means either money from retained earnings or additional credit from the bank, and in most cases additional credit from the bank. So whatever that happens to be, whether the payroll is \$500,000, \$1 million or \$2 million, it adds a very substantial amount of cash required in the business. We are looking to you for some relief so that we can pay at approximately the same time we collect.

**Mr Jackson:** I am a little concerned with a couple of elements in the brief. I should tell you at the outset I am not happy about this tax one bit, because it has taken basically an insurance premium system, with public and consumer awareness of health-related services, and moved it into a hidden, undercover tax that is now tied to inflation, which the government can ratchet up at will.

My first question to you is, since you have accepted the tax, is it fair to say that you will be passing most of these expenses on to your clients?

**Mr Turner:** I would say that is a fair assumption. Traditionally, as we state in our brief, the publicly traded companies in our industry, of which there are a few, have an after-tax profit in the area of three per cent. If we pick up a two per cent cost on the 72 per cent of our actual cost of labour, it would wipe out about half to two thirds of the existing profits. So we have no alternative but to pass it along.



**The Chair:** Thanks very much.

**Mr Jackson:** Are we that tight for time?

**The Chair:** Yes, we really are. We are late, and my concern, Mr Jackson, is there may be groups that will have to come back after lunch. That is really not fair if they have come for a morning presentation. We did start 15 minutes late, which has put us somewhat behind the eight ball. Thank you for your brief and for your time this morning.

Our next group is Tourism Ontario Inc. Good morning. Please come forward and, for the purposes of Hansard, introduce yourself and whomever you have with you and begin when you are ready.

#### TOURISM ONTARIO INC

**Mr Michener:** Ed Robinson is on my left. I am Roly Michener, president of Tourism Ontario. Our federation welcomes this opportunity to address you this morning. As you may know, Tourism Ontario is a private, nonprofit federation of lodging, recreation, transportation and travel associations in this province, representing more than 7,000 businesses, the majority of which are small and family-owned.

The Ontario tourism and hospitality industry is the province's third largest, generating 1988 expenditures of approximately \$10.9 billion, income of \$16.3 billion and sales of \$27.2 billion. Our industry is the largest private sector employer in Ontario and provides more employment opportunities for women, youth, visible minorities and seasonal workers than any other.

As the province's fourth-largest generator of valuable foreign exchange earnings, our industry in 1988 alone generated an estimated \$3.1 billion in foreign exchange from American and other foreign visitors. Verifiable research indicates that our industry is responsible for the creation of 51 full-time equivalent jobs for every \$1 million in tourism expenditures, which is a very high ratio when compared with virtually any other sector of our economy.

The tourism industry is a sustainable, environmentally clean and renewable resource in an era of major public concern about the conservation, preservation and cleanup of our environment.

#### 1050

The Ontario tourism industry is the economic mainstay in regions of Ontario where economic alternatives are few, are in precipitous decline or are nonexistent.

We would emphasize the fact that unlike other large Ontario industries such as agribusiness, our industry must compete in an international market

wherein there are no product subsidies, marketing boards, trade barriers, quotas or tariffs of any kind. The cost, price, value and quality of our products, services and experiences must withstand increasing international competition and the scrutiny of ever more sophisticated and price-value-conscious domestic and foreign travellers. We would emphasize the fact that labour costs alone in our industry represent 30 per cent to 40 per cent of operating costs and a disproportionate share of overhead relative to sales.

Clearly, government fiscal policies exert the single greatest pressure on our industry's ability to compete for business. Exponential increases in all forms of federal, provincial and municipal taxes in the past five years alone have made our industry's products and services more costly and less attractive to our own citizens, as well as to visitors from the United States and abroad.

As a direct result of these taxes and costs, the Ontario tourism and hospitality industry has suffered a dramatic decline of 7.8 per cent in total American person-visits in the past year and a half. Visitors from the United States account for 17 per cent of all annual person-visits to and within Ontario and 20 per cent of all tourism revenues that are generated annually in this province.

At the same time, we are rapidly losing our own residents to less costly visits and travel in the United States. In the past 18 months alone, there has been a 36 per cent increase in person-visits of Ontarians to the United States.

The imposition of the proposed employer health tax on the Ontario tourism and hospitality industry is unfair, inequitable and unjust.

It is unfair because it eliminates any direct responsibility and accountability for burgeoning health care costs in this province for many thousands of Ontarians who place enormous demands on the Ontario medical and health care system.

It is inequitable because it imposes a huge and disproportionate share of health care costs on the tourism and hospitality industry, while totally exempting thousands of highly paid professionals such as doctors, lawyers, accountants and consultants who are compensated through unincorporated proprietorships at an estimated cost to Ontario taxpayers of in excess of \$100 million per annum.

It is unjust because the very individuals and families who will benefit directly from the elimination or reduction in Ontario income taxes next year, coupled with substantial OHIP premium savings, are being hoodwinked by the



provincial government into believing that they are getting something for nothing. In fact, they are the very people who will suffer the direct consequences of this payroll tax through higher prices for many essential goods and services, through reduced employment opportunities and hours of work, by reductions in wage and salary increases to account for the employer health tax, and through reduced employer-paid benefits.

The proposed employer health tax is also unjust because it will impose a discriminatory and punitive tax on taxable benefits and allowances in our industry for essential services such as room and board provided to seasonal employees, on uniforms and duty meals provided to employees throughout the tourism and hospitality industry, as well as on management controlled guest service charges that are distributed to employees in our industry. We hope it is not the province's intention to penalize our industry's hardworking employees in this manner.

The Ontario tourism and hospitality industry simply cannot absorb or pass on the proposed employer health tax which will impose a staggering 400 per cent increase in the replacement of OHIP premiums currently paid by our industry, and will account for an inordinate 22 per cent share, or an estimated \$115 million, of the total of all Ontario business contributions to OHIP replacement revenues in 1990 alone.

We would emphasize and underline the fact that businesses in our industry are high-cost, labour-intensive and low value-added enterprises wherein a large percentage of workers are engaged on a seasonal, part-time and casual basis. The vast majority of these workers choose to work in this manner and most are part of family units wherein OHIP coverage is currently provided by other employers or wage earners.

In the 1986 and 1987 editions of a report entitled *Small Business Payroll Taxes*, published by the Ontario Ministry of Industry, Trade and Technology, the authors point to the distressing fact that "payroll taxes as a whole rose almost 90 per cent between 1981 and 1987," and that said taxes now threaten to deter small firms from hiring and to impair job creation. When one considers that service sector businesses, in which our industry accounts for a significant share, have accounted for more than 70 per cent of the new jobs created in Ontario in the last five years, it is not difficult to see the direct and adverse impact of the proposed employer health tax on our extremely competitive and cost-sensitive industry.

Although our federation is opposed in principle to the employer health tax, employers in our industry are prepared to contribute their fair and equitable share of OHIP premium replacement costs, provided that all business entities and citizens of our province contribute a proportionate and just portion of the costs of providing quality medical and health care services to all Ontarians. We would propose that the Ontario government take the following measures in this regard:

That the province levy a flat payroll tax of 0.5 per cent on all gross Ontario tourism and hospitality business payrolls regardless of size. This special payroll tax will generate estimated revenues in excess of 165 per cent of total OHIP premiums currently paid by the Ontario tourism industry and a more equitable industry share of the increase in direct business contributions to OHIP replacement premiums.

That the Ontario tourism and hospitality industry be exempted from the proposed discriminatory tax that Bill 47 will impose on taxable benefits and allowances referred to earlier in this submission.

That all persons compensated through unincorporated proprietorships be subject to the same proportionate employer health tax on gross annual personal incomes reported on their annual income tax returns.

That the Ontario government impose a nominal user fee for service or health care fee on all personal use of outpatient and nonessential emergency medical services in Ontario hospitals in order to maintain the quality of health care that people expect and need.

Our federation wishes this committee every success in its deliberations on these important matters and hopes that it will take our serious concerns about Bill 47 into account in its recommendations to the Legislature.

We would also draw your valued attention to the fact that one of our sister associations, the Hotel Association of Metropolitan Toronto, will be appearing before you this afternoon to articulate the devastating impact that Bill 46, the Commercial Concentration Tax Act, will impose on large hotels in the greater Toronto area.

**Ms Bryden:** You mention the disadvantages of this employer health levy as meaning lack of accountability as to whether the money is actually spent on better health care, inequitable incidence because labour-intensive industries pay far more, and higher prices because this tax probably will be passed on to the consumers. Generally, you condemn this particular way of

replacing OHIP premiums by a tax that has those difficulties and disadvantages.

Why not replace the premium income by increasing corporation taxes based on earned income and by closing the loopholes in income taxes that permit thousands of corporations and personal income taxpayers to escape tax altogether? Would that not be a fairer way? Would that not overcome all those disadvantages of this tax and be the best way to achieve your goal, which you state very categorically, to provide "that all business entities and citizens of our province contribute a proportionate and just portion of the costs of providing quality medical and health care services to all Ontarians"?

**Mr Michener:** Our simple answer to that is that we do not think so.

**The Chair:** Thanks very much. If we could get some more simple answers and simple questions, we would be doing well.

**1100**

**Mr Jackson:** Roly, thank you for an excellent brief. It is as interesting as it is frightening in terms of its impact. I did not think it was going to affect you as adversely as it will and I am pleased you brought that to light. It is clear now that there was absolutely no impact analysis done by the government in terms of a sectoral analysis, because it is apparent that yours is particularly sensitive.

The previous deputants, and you were in the room for them—the Federation of Temporary Help Services—indicated they would pass through the two per cent, but the consumers of tourism and recreational benefits in this province are going to be passed through a considerably larger chunk of this.

One of the groups that concerns me particularly is the employees, a lot of whom are seasonal, such as student workers who use their remuneration to pay for their tuition. Certainly the businesses cannot cut back the hours of work. They are going to have to adjust in other areas. Obviously you will have to raise the cost, which is not a good sign for tourism.

The question I want to ask you has to do with this notion that the government has not done an impact analysis sectorally for you. It concerns me that there are other things coming on the horizon that we are seeing emerge that particularly impact the tourism industry in Ontario because of the way it is structured. For example, there is talk of the minimum wage being increased—your industry is particularly sensitive to the minimum wage—and amendments to the Employment

Standards Act, on which there are a couple of discussion papers floating around.

Although when the Ontario Chamber of Commerce comes up it is going to be talking to us about this general issue of the impact on small business, the chamber will, by its own definition, extend to other groups that are more vulnerable. I am getting a clear sense that the tourism industry in Ontario is highly at risk. I know it is in Toronto with the commercial concentration levy, which is another matter, but—

**Mr Daigeler:** Is this still a question?

**Mr Jackson:** I am getting to a question. We are going to get a very simple answer to this, I am sure.

**The Chair:** You might leave him a little more time for the answer, though, if you would put the question.

**Mr Jackson:** We are getting there.

Very quickly then, I would like you to react to the issue of the extent to which you feel your industry will have to pass on its expenses and the degree to which you are concerned about the lack of an impact analysis and that the government may continue to compound costs associated with operating, first, this winter for your winter-based operations, and then in the summer, which I understand represents a greater portion of your sector. There are other things coming that could adversely affect this as well. Would you comment on those two general points?

**Mr Robinson:** The Hotel Association of Metropolitan Toronto, Tourism Ontario and indeed the Ontario Hotel and Motel Association have reached the point where pass-throughs are no longer possible. We have already passed through the maximum amount of taxes we can to the consumer. If you read this brief, you will see where Ontarians are deserting this province in more and more numbers and going south of the border for a better deal, while Americans are realizing that the good deals that used to be here are gone for ever. They are ceasing to visit Ontario.

That is a clear sign to everyone in the industry that you can no longer pass through these horrendous increases we are being hit with. It is not only these taxes that we are talking about. I could mention that the cost of gasoline taxes and liquor taxes have impacted sorely on the industry. So the pass-through provisions are no longer possible because the public are not buying them.

**Mr Kozyra:** Just a clarification of your calculation of the 400 per cent increase: You call it a staggering 400 per cent increase in the



replacement. Is that accounted for mainly by the fact that on the average your industry was paying about 25 per cent of the premium costs before?

**Mr Michener:** I do not exactly follow you. We are going from about \$28 million to \$115 million with payroll tax.

**Mr Kozyra:** And that \$28 million comprised paying approximately 25 per cent of the premiums.

**Mr Michener:** It was comprised in most part with paying premiums for full-time permanent staff.

**Mr Kozyra:** As opposed to—

**Mr Michener:** As opposed to part-time, temporary, seasonal and casual help.

**Ms Bryden:** Since I got a short reply, I think I am entitled to one supplementary and that is, would user fees be a suitable substitute for the present OHIP system and the premium system?

**The Chair:** You could give a short answer to that one, too, I think: yes or no.

**Mr Michener:** We have not analysed that but as in our brief, we think it is part and parcel of a bigger picture in terms of funding good health care for our citizens in the future, no question about it.

**The Chair:** I would like to thank you for coming. I am sorry we are pressed for time, but as you can appreciate there are a lot of groups lining up behind you who would like to have their comments on the record too.

Our next group is the Ontario Chamber of Commerce, if they could come forward. Once again, you have 15 minutes. If you could try to abbreviate your presentation to leave some time for questions, it would be appreciated, if possible. Begin when you are ready.

#### ONTARIO CHAMBER OF COMMERCE

**Mr Corcoran:** My name is Tom Corcoran. I am the vice-president of policy for the Ontario Chamber of Commerce. We are an organization that represents businesses across the province. In fact, we represent 165 chambers and boards of trade. That is a total of 65,000 members and enterprises, literally, across the province. To make our submission today, I have asked Don Eastman, the chairman of our economic policy committee, to accompany me.

**The Chair:** Do you have a written submission?

**Mr Eastman:** No, we do not have a written submission.

I would like to thank you for the opportunity to appear before you. Basically, there are three issues that bear on the discussions here. The first is the decision to eliminate the OHIP premiums. The second is the decision to use a payroll tax to replace the lost revenue of the OHIP premiums. The third is the decision to overlap OHIP premiums and the employer health care levy by three months. I would like to begin by putting these three issues in perspective.

We do not believe that the elimination of OHIP premiums is the largest challenge facing Ontario's health care system today. We are concerned that eliminating OHIP premiums may help induce a false sense of public security that health care costs are under control and that future health care quality in Ontario is assured. While we disagree with the decision to eliminate OHIP premiums at this time, we do respect the government's commitment on this issue.

On the remaining two issues, we feel as if we have been whacked across the forehead with a two-by-four and then jabbed with a needle just to make sure we got the point. The jab with the needle is particularly obnoxious, but the real damage is from the two-by-four. I would like to talk about the needle first.

Overlapping OHIP premiums and the payroll tax really does add insult to injury for the business community. We have been entertained by the mental gymnastics used by the government to explain, defend and rationalize the overlap, but the bottom line is that we are being asked to pay twice for the same bag of groceries. We believe that is wrong and are truly frustrated by the government's insensitivity to date on this issue.

However, the real damage to the business community is not the overlap but the payroll tax itself. A payroll tax is fundamentally a bad idea. It is superficially attractive to government in terms of its revenue potential, but it is fundamentally flawed in terms of its economic impact and tax equity.

Let's look at this tax relative to the two principles of taxation. The economic principle is that if you want less of something, tax it. In recent years, Ontario's employment performance has been relatively good. Has it been as good as it should have been? Is future employment so assured that we feel comfortable about burdening it with a specific tax into the indefinite future? I have trouble finding a positive answer for either of those questions.



At this point there is a debate raging across this country about replacing the federal sales tax, the so-called manufacturers' sales tax, with a broadly based value added tax, the goods and services tax. It is not my intention today to argue the merits or otherwise of the GST, but it is widely recognized that the manufacturers' sales tax is a terrible tax that needs to be replaced, that "silent killer of jobs," because it winds up taxing domestic production more heavily than imports.

The proposed payroll tax makes the federal manufacturers' sales tax look deliriously good in comparison. Goods and services that are imported into Ontario from other countries or other provinces will completely avoid the tax, while our exports to other countries and other provinces will bear the full burden of it. I should point out that under the current manufacturers' sales tax, imports only partially avoid it and exports are largely tax-exempt.

While the rates in the payroll tax before you may appear to be relatively low, let me assure you that in the competitive environment that we in Ontario are in currently, they are significant. We also have a very real fear that these rates will be prone to future escalation. Health care costs in Ontario are not under control, nor have we seen action that will bring them under control. We have a deep concern that the same political expediency that has produced the payroll tax will make it a prime candidate to cover future cost escalation in the health care system. Some very simple arithmetic based on recent health care experience produces very bad numbers very quickly.

The other tax principle is one of equity; taxes should be based on benefits received or on ability to pay.

Who in fact will pay this payroll tax? While it will be collected from employers, economic analysis indicates that payroll taxes are in the long term ultimately paid by employees. They might more properly be described as a tax on wages rather than a tax on payroll.

Equity: Employees of large companies will pay the full rate of the wage tax; employees of small companies will pay half rates; those who are self-employed will not have to pay.

Will employees really wind up being the ultimate payers of the employers' health care levy? In addition to the weight of economic opinion, we have the words of the Treasurer himself:

"Currently, a significant number of employers in Ontario pay the OHIP premiums, either in full or in part, for their employees. In each case, this

payment of OHIP premiums is part of a total wage-benefit package and took away from the amount that would have been paid in direct wages. In many employer-employee relationships, it was determined that it was preferable for the pay package to emphasize wages rather than benefits."

In the Treasurer's defence of this tax, he has indicated that at the rates proposed, the net impact for those many companies paying the OHIP premiums for their employees will be minimal, as the elimination of OHIP premiums will balance the cost of his new payroll tax. In other words, he believes that the employer health care levy will, in effect, be a direct tax on the benefits of those employees who were foolish enough to have the payment of OHIP premiums as part of their pay package. That is the logical conclusion of the Treasurer's statements, not mine. However, in the short term there will be a great deal of confusion as tax-induced cost increases are shuffled through the system.

The payroll tax does mean higher costs; it does mean reduced competitiveness; it does mean reduced employment opportunities in Ontario. The employer health care levy is a bad tax. It will hamper and potentially harm the economy. It has an adverse impact on taxation equity.

Both the needle and the two-by-four hurt; the two-by-four is doing the real damage. Thank you.

**Ms Bryden:** I certainly agree with your position that the employer payroll tax is economically bad, it is inequitable and likely will be passed on, both to employees in their wage packages and to consumers, but I am particularly interested in your complaint about the overlap of premiums and the fact that both employers and employees who pay by direct-pay subscriptions will be expected to cover the first three months of the new premium-free period from 1 January to 31 March.

It is clear in directives from the Ministry of Revenue that they are expected to cover those three months. I think this is just a straight tax steal from people who are entitled to premium-free health care. Are you willing to support an amendment, though, which would eliminate that three-month overlap for both employers and employees?

**Mr Eastman:** Yes, we are. I think that is a serious problem with this proposal as it is currently before us. It is not the largest problem, but it is one that is particularly annoying.

**Ms Bryden:** I intend to introduce such an amendment and hope the ministry will see that it

is a very unfair situation, requiring employees to pay this extra gift to the Treasury in order to get it started with the new system when it already could have paid it out of general revenue in the past and has not done so.

**Mr Reycraft:** One of the points you made was that the payroll tax of .98 to 1.95 per cent is going to put Ontario businesses at a competitive disadvantage, both for domestic and export markets. Of our international trade, 85 per cent is with the United States. There has been a study very recently released by William Mercer Ltd that says:

“According to the US Chamber of Commerce, 99 per cent of all companies have some form of medical benefits, although the benefits provided may well be less than covered under Canadian medicare. The average cost of employer-paid health care premiums is 5.8 per cent of payroll.”

I am interested in your reaction to that comment in light of the competitive disadvantage argument you have made this morning.

**Mr Eastman:** The United States has chosen a very different route in its whole health care area. Instead of having the level of government support that we have in this country, they have decided to do it privately and have lower personal and corporate income taxes. So there is a balance there. You cannot look specifically at the 5.8 per cent without also looking at the income tax regime.

**Mr Reycraft:** Then your argument really applies to the total tax burden, not specifically to the employers' health tax per se.

**Mr Eastman:** It relates specifically to the employer health tax because that is one that is directed specifically at payroll and I think is particularly adverse.

**Mr Jackson:** This is just mind-boggling. I went through an election two years ago where the Liberals kept using these scare tactics about free trade and now they are defending the fact that we are that competitive and have that much more room to tax. I think that is unbelievable, Mr Reycraft.

However, I am familiar with the Mercer statistics and I do know that they include benefit packages generally, including health, which means leave from work and so on, and that in Canada, and particularly Ontario, the comparable figure is closer to 20 per cent. Those are the figures I am familiar with. The Americans do have a far more competitive edge and we are just compounding it. Anyway, I will leave this

flip-flop on free trade with my Liberal colleague for the moment.

My question more importantly has to do with this: Are you familiar with the presentation made by a coalition of small businesses that developed a proposal to move the threshold so that the tax will not kick in until after \$200,000 payroll payable? You could just nod that you are familiar with it.

1120

**Mr Eastman:** No, I am not.

**Mr Jackson:** All right. I just would like you to react to that, because I am very much interested in analysing that further, given that it will reduce by 85 per cent the number of businesses that will have to administer this tax and it will reduce the amount of administration on the part of the government substantively for handling this tax.

Although I buy all your arguments and support all your arguments about the punitive aspects of this bill, I am concerned about its growth in bureaucracy; that we are going to have more civil servants hired as a result of this tax and business is going to have yet another series of additional forms and submissions and appeal mechanisms with the Minister of Revenue. We all know how well we do with appealing to the Minister of Revenue in this province.

Could you react to some sort of notion of creating exemptions to protect at least a sector within the chamber of commerce, that of small business? I do not think we are going to be able to stop this tax at all. At least one member of this committee—

**The Chair:** Let him answer the question, Mr Jackson.

**Mr Jackson:** He is getting to it. He is working. I can see him working it out in his mind.

**The Chair:** I think he is ready, actually. Go ahead.

**Mr Eastman:** My initial reaction is that that is basically a bubble gum patch on something that is bad in terms of, if we are going to have it anyway—and I would like to think that is not true, but let's face that prospect—then I think there are some real challenges. Okay, what is the paper burden relative to the revenue collected? I think it is definitely worth having a look at those thresholds to see whether those are the most appropriate ones.

**The Chair:** Thank you for coming this morning. We appreciate your submission.

Our next group is the Hotel Employees and Restaurant Employees Union. I believe Mr



Belanger, the president, is here. This is on Bill 46, okay; this is on the commercial concentration tax.

Once again, we have slotted 15 minutes and we are going to have to stick to that pretty rigidly, so try to leave us some time for questions.

#### HOTEL EMPLOYEES AND RESTAURANT EMPLOYEES UNION

**Mr Belanger:** My name is Jean-Guy Belanger and the gentleman to my left is Robert Crowder.

It is not often that a tax on employment hurts the requirements that impose it, but that is exactly what the situation will be if the commercial concentration tax is imposed on Toronto-area hotels.

We represent approximately 13,000 employees who work in the hotel business in Toronto, over 30,000 in Ontario and close to 500,000 across Canada and the United States. We are very concerned about this tax.

Tourism is recognized as Ontario's second largest export industry. The employees of the downtown Toronto hotels are the keystone of this industry in Ontario.

As I specified to you before, we represent many employees in Ontario who work in this industry. Our people are well aware that they must compete with other major North American cities. As a point of information, the city of Toronto has the highest costs for tourists and conventions in Canada. The number one over Toronto is New York City and the reason is the price.

I understand that governments have to impose taxes if they want a better province, better cities, better streets, better involvement for tourists. To attract the tourists, you must impose tax; but we are very concerned about imposing this tax on the hotel business for the simple reason that we are going to be chasing tourists away.

It took this government—and it did a good job—20 years to put Ontario on the map, for other countries to come to Ontario, come to Toronto, to bring more conventions and more tourists than ever. We were a little dot on the map 20 years ago. Today it has been recognized by every country that Toronto is the city and Ontario is the province to attract tourists and bring conventions. The city of Toronto at the present time is our number one city for conventions. It will be a shame and it will be sad that all the hard work you did for 20 years will be destroyed by one tax proposed on the hotel business.

When that industry is threatened by the proposed commercial concentration tax, our

people are extremely hurt. A large percentage of hotel employees recently arrived in Canada and our industry provided them with minimum level employment. Many who will lose their jobs as a result of this tax will not easily find employment somewhere else.

Studies show that the level of taxes imposed on the hotel industry in Toronto by all levels of government is making Toronto a very expensive destination city. The new proposed concentration tax will add further to that cost and directly result in the loss of many jobs. We must recognize that hotel costs for rooms, meals and other services are a major consideration by convention management when choosing a destination.

I was in Washington last week. Many big American companies are thinking twice before coming back to Toronto because of the costs. In 1991, conventions in Toronto will be far from those of any other years and it concerns other people. Big companies from the United States and other countries worry about coming to Toronto because of the costs. Every time you impose a new tax, the rooms go up. We have the highest price on rooms except New York City and San Francisco.

When conventions come to Toronto and you look at the price of the meals, when you have five per cent for rooms, eight per cent for food, 10 per cent for beer and 10 per cent for beverages, we get hurt. It will cost jobs and it will cost the government a lot of money. By chasing those conventions away to another city or to another country, the government will lose a lot of tax. When conventions come to Toronto, merchants, souvenir stores and restaurants pay tax. There is always tax imposed, and it is money receivable for you people.

I know you have to impose tax, I know it is needed, but impose it in the right place. Leave the hotel industry alone this time. It needs a break. If you chase all those tourists away because of this tax, we are all going to be sorry, because we are going to have fewer people working.

I am from Quebec and have 30 years of experience in this business. Quebec has been trying to recuperate tourists and conventions for 20 years. They cannot make it because the wrong bill was imposed in Quebec many years ago.

I am not going to go to the Pannell Kerr study and everything that I put in my proposal here. Those are their figures. I am more concerned that if there is a tax imposed on the hotel business, thousands of people will lose their jobs in the



hotel business. Many hotels will probably close their doors. Two years ago the president said we needed more rooms in the city of Toronto because there was more business and new hotels were being built. Some of them were stopped.

We ask you to consider very carefully the impact that the concentration tax will have on the tourist industry in Ontario, on the hotel business in Toronto and specifically on the people who depend on that industry for their living. It is not fair or reasonable that people employed in this new export industry should have their jobs destroyed by a discriminatory tax imposed by Ontario.

The Hotel Employees and Restaurant Employees Union, which represents a majority and a mass of people working in this industry, asks you to recognize that:

Whereas the Toronto hotel industry relies on the North American convention business;

Whereas the Toronto hotel industry must compete with other North American destinations;

Whereas this tax will severely restrict our ability to compete for the convention business with other North American cities; and

Whereas a substantial number of jobs will be lost if this discriminatory tax is applied in the present form to the hotels in Toronto,

As a consequence, we ask you to strongly consider amending Bill 46 to exclude hotel property from this tax. We want to keep tourists coming in; we want jobs to be protected; we want Ontario to be more successful in the future for conventions.

Two or three years ago we built a new convention centre. It cost the people money in taxes. If we destroy the tourist industry and conventions do not come into this province, we will not need a convention centre any more and many hotels will be closed. You people and all of us will be losers in tax and revenue.

**1130**

**Mr Daigeler:** Thank you for sharing your concern with us and making us aware of your feelings, which are obviously held very strongly.

At the same time, I would like to ask you, do you not feel that perhaps more hotels would have to close if we did not build the roads and the infrastructure that the Treasurer wants to build and has committed to the greater Toronto area; namely, over \$1 billion? Do you not feel that by building these roads and the infrastructure people will be able to come to your hotels? Many of them, I presume, use the road to get there. There is a cost associated with it, but in the long term it

will help you much more by providing these roads and putting the money into that and also paying for it at the present time.

**Mr Belanger:** Yes. Every time I am driving home and I am jammed in the traffic, I say, "What is the government going to do about roads?" But what is the good of having many roads if we do not have people to travel on them? The people in the hotel industry and the people who come to Toronto, convention people—I meet a lot of those—are very concerned about the cost to come to Toronto to have a convention. They are very concerned about our cost difference.

I can give you one example. I can use beverages because I am familiar with beverages, having been a bartender as a union hotel employee. When you come to Toronto, you have to pay approximately \$4 for one ounce of whisky. If you go to Orlando, Detroit or Chicago, you pay \$1.75 for two ounces.

For the conventions that have been coming here in the last few years, there has been less dinner at a banquet. There is less bar at the banquets for the delegates because of the costs.

We know that you have to charge a tax. My presentation is well presented to you in one way. It says we know you have to do it, but what we are asking you is to leave the hotels alone this time. You might be receiving more money from the hotels on taxes, but if there are no tourists, if there are no conventions, what is 20 per cent or 1.5 per cent of zero?

**The Chair:** Thank you. I think you have answered the question.

**Ms Bryden:** Thank you for bringing your position to us in a very forthright way. I can understand the concerns of the Hotel Employees and Restaurant Employees Union about this really very ill-thought-out tax. The Treasurer does not appear to have done any studies on the impact of it on your industry or on the number of jobs that will be affected by it and our internationally competitive position in the hotel, restaurant and convention business. I think maybe we should be looking at an alternative to this kind of tax because we know so little about its impact, but we feel there will be a substantial loss of jobs if it is carried on.

I would like to ask, instead of an exemption, would you favour replacement of this tax by asking the thousands of corporations and thousands of individuals who now pay no corporate income tax and no income tax at all under the present tax system to pay their fair share of our tax costs and tax needs and get rid of this tax, which is a very unfair tax in its incidence?

**The Chair:** I think there was a question. Perhaps you could give us a brief response. We are really in some difficulty with time this morning.

**Mr Belanger:** I do not know if I can do it briefly, but I will try.

**Mr Runciman:** Just say yes.

**Mr Belanger:** The easy answer is always no.

**Ms Bryden:** We have to replace the premium income somehow, so what I am asking is, how will we replace it?

**Mr Belanger:** I know what you are saying and I hear what you are saying very clearly. I think I did not have time to study those things, but I know that if we do not have tourists, those big companies will not exist. Maybe it would be wise to implement tax for others except the hotel business. They are already taxed before this new tax.

I hate to talk about that situation, the labour movement dispute between management and union, but six years ago we had a dispute in the city of Toronto and 10 major hotels were closed for nine days. If you look through our records of those nine days at how much tax the government lost when we were out, you will see how much you are going to be hurt if it is for ever.

**Mr Runciman:** I share the witness's concerns. I know that the Shriners were here for their convention last year and I heard the comments afterwards reported that they certainly were not coming back to Toronto because of the high cost of visiting this community.

I guess I am somewhat disturbed—"disturbed" is perhaps too strong a word—by your recommendation that you be exempted. I think we have witness after witness now saying, "Exempt us, or broaden the base of the tax and lower the rate." I share the same view as Ms Bryden that we should be looking at perhaps other answers, rather than sticking it in the neck of business, as this government, the most antibusiness government in Canada, as we know, is prone to do.

I think we are talking about a province with infrastructure replacement, pollution congestion, etc. We should be looking at addressing the people who are utilizing that infrastructure. I suggested toll roads as perhaps an example, but I think that anyone who is appearing here before us—perhaps you can get together; I am not sure—could come up with proposals to this committee that can replace this kind of tax, this kind of burden that is going to be placed on you and a host of other businesses operating in the greater Toronto area.

That is my major concern. I suspect you are whistling in the dark to come here for an exemption. With witness after witness asking for an exemption, it is just not going to occur.

**Mr Belanger:** Maybe it would be a better presentation if I say waive it completely and keep the tourists and keep tax coming in from the tourists.

**Mr Runciman:** I think you have to respond to the other needs, rather than trying to continually fill this spend-spend-spend, tax-tax-tax government's coffers.

**Mr Belanger:** I have not got the answer for you about that, but I am very concerned about what the people in the core part of the city do.

**Mr Runciman:** I am too.

**Mr Belanger:** You have some experts, you have people looking around, and I will not repeat myself, but when you go back to your caucus or you go back for lunch or some time, take a look at what the city of Toronto was without tourists 20 years ago and look at today. We are number one. Why should we be number two by imposing a tax?

**Mr Runciman:** That is very legitimate. Thank you very much.

**The Chair:** Thank you for your presentation this morning. We do appreciate it and appreciate your time.

Our next presenter is the Canadian Federation of Independent Business. It appears we are going to have some difficulty with the Personnel Association of Ontario getting on. They have agreed that, if necessary, they will come back this afternoon, but we will see how we make out. If we get called to a vote, this presentation may wind up being terminated.

Good morning and would you please introduce yourselves for Hansard. Welcome to the committee.

#### CANADIAN FEDERATION OF INDEPENDENT BUSINESS

**Mrs Ganong:** I am Linda Ganong, the director of provincial affairs for Ontario for the Canadian Federation of Independent Business. On my left is Judith Andrew, the director of provincial policy, and on my right is Brien Gray, senior vice-president, legislative affairs.

I am sure it will be no surprise to the committee that our 38,000 Ontario members are overwhelmingly opposed to the imposition of another layer of payroll tax in the form of the employer health tax on small employers. Our members feel that health care spending in this province is really



out of control. Canada now spends more per capita on health care than any other country in the world with a national health care system, even though it has one of the youngest populations in the western world. Ontario is one of the highest per capita spenders in Canada.

Our members feel that health care financing needs to be based on principle, not merely expediency; principles such as health as a personal goal, not merely, and not even mostly, a benefit to employers.

Accountability is key. Keeping the health care consumer directly involved in and aware of the financing of the system is an important incentive for cost control. There is no valid reason to have employers foot the entire payroll tax bill. The costs should be fairly borne by users. CPP and unemployment insurance premiums are shared by employers and employees.

In short, payroll taxes are bad health care policy. The use of payroll taxes to fund our health care system removes the last vestige of consumer accountability from the system and sends the wrong signals to the consuming public. Health consumers are lulled into believing that the health care system is free and are encouraged to use it and abuse it accordingly.

Beside being bad health care policy, payroll taxes are regressive and unfair. They do not take any account of the firm's ability to pay. Payroll taxes get a free ride from inflation. They increase because of inflation-related wage hikes which are unsupported by real productivity increases.

#### 1140

Inflation will also erode with each passing year any benefit from the government's proposed lower rates, because only a minuscule percentage of firms will eventually be left under the proposed small business threshold.

Payroll taxes are not just bad, they are terrible economic policy. They are profit-insensitive. They hinder small firms' ability to survive and grow. They seriously hamper job creation. The cumulative negative impact of income taxes, profit-insensitive taxes such as municipal property and business taxes and payroll taxes like CPP, UI and the Workers' Compensation Board cannot be emphasized enough. The employer health tax will add yet another significant and regressive tax to this burden.

A CFIB survey showed that the total tax burden is the most widely identified barrier to business growth. The latest National Business Watch, which we have included in your package, is based on surveys of over 20,000 CFIB members across Canada in the early part of this

year. That survey found an all-time high of 61 per cent citing total tax burden as a significant problem for their firms. This is the highest we have ever seen.

The Ontario percentage, which is based on over 9,000 Ontario firms, was identical to the national average, and these surveys were taken before our members had a chance to assess the impact of the EHT on their total tax burden; I am sure those numbers would be higher now.

The Manitoba government has realized the negative effects of payroll taxes on the job-producing small and medium business sector and it is rolling back its payroll tax. The 1988 Manitoba budget speech said,

"Manitoba's payroll tax is a major disincentive to the creation of new jobs in Manitoba. Investors cringe when they hear Manitoba is one of only two jurisdictions in North America with a payroll tax.... The increased payroll tax exemption will remove a major disincentive for small- and intermediate-sized Manitoba enterprises."

As of 1 January 1990, the Manitoba exemption level will be \$600,000. This will eliminate the bulk of the payroll tax for the majority of the small firm sector in Manitoba.

We have to mention too the Ontario government's deliberate policy to create an intentional overlap for the first months of 1990 of health care services paid for through OHIP premiums and health care services paid for through the EHT.

This is clearly unconscionable. This government would be outraged if a landlord claimed to get another rental payment in the last month of the term to cover the last month despite the fact that the tenant had deposited last month's rent in advance. No one would listen to the landlord's explanation that, "Well, I already spent the deposit you gave me in the month that you gave it to me and now I have costs to cover this month, so you'd better fork up again." It is ludicrous, yet this is what this government is doing.

The employer health tax will have profound negative effects on the operations of small firms. More than one in four of our members say that they will refrain from planned hirings. In a universe of over 300,000 firms, which is basically the Ontario universe, even if only one half had planned to take on only one additional employee and one quarter of those had to curtail their hiring plans as a result of the EHT, this would mean an initial loss of over 40,000 potential jobs, just in the first year, and this would probably keep on going year after year after year.



In addition, 6.5 per cent plan to actually lay off workers; eliminate existing jobs. This means that out of 300,000 Ontario firms, some 19,500 firms could cut back employees. Conservatively, even if each firm let go only a single employee, Ontario would lose nearly 20,000 existing jobs as a result of the EHT.

CFIB estimates as well that Ontario's proposed EHT will be a source of revenue far greater than what the Ontario government is currently saying. We have done a detailed analysis of provincial payroll statistics and it reveals a conservative tax take forecast of \$2.49 billion in the 1990-91 fiscal year. This is roughly \$400 million more than the government's public estimate.

This additional \$400 million gives the government some leeway to introduce measures to relieve the burden on all firms in a fair and evenhanded manner. An amendment to the bill to exempt, say, the first \$400,000 of annual payroll for all firms would still raise over \$2 billion, according to our estimate. This is extremely close to the government's original estimate of \$2.1 billion from the EHT. That is with a \$400,000 exemption for all firms.

More than 97 per cent of our members indicate that methods to re-establish government accountability to the public for health care spending are extremely important to them. Almost six in 10 opt for employees sharing the cost of the EHT, as they do with CPP and UI premiums.

Over half are also in favour of medical user charges levied according to ability to pay. Many members have suggested that very nominal charges of perhaps \$2, \$5, up to maybe \$25 per physician or hospital visit, which would be rebatable in cases of need through the income tax system in the way current sales tax rebates operate, would help to deter overservicing and help to increase accountability and keep health care costs in line. For the Ontario government to build these kinds of accountability mechanisms into the health care funding system would be a very big step towards establishing its credibility in the eyes of those who are being asked to foot a considerable chunk of the bill, Ontario's hard-working small firms.

We recommend that a payroll tax is a completely inappropriate concept for health care funding. It removes the key concept of government and consumer accountability from the health care financing system. It forces employers to directly shoulder a major burden of health care costs when the benefits are enjoyed by all

Ontarians. It is truly a step in the wrong direction.

We recommend that the most appropriate solution is for the Ontario government to completely withdraw Bill 47 and eliminate the employer health tax, which heavily burdens the small business sector.

If the government is unwilling to take this step at this time, we recommend that it should appropriately introduce an amendment to the bill to provide for the cost-sharing of the EHT burden between employers and employees on a 60-40 basis, 60 per cent paid by employers, 40 per cent by employees.

In the final alternative, we recommend that the government should at the very least take measures to relieve the burden of all firms in a fair and evenhanded manner by immediately introducing an amendment to the bill which would exempt from the EHT the first \$400,000 of annual payroll.

**Mr Reycraft:** Thank you for the presentation. You recently did a survey of businesses on the proposed health care payroll tax. I think you were commenting on that in your presentation. The first question to your businesses on that asked about what portion of their employees' OHIP costs they currently pay and businesses were able to choose "all," "some" or "none." Can you tell us what the outcome of that was?

**Mrs Ganong:** Over 56 per cent of our members do not pay any OHIP costs at present. This will be a big imposition on them, a large increase in costs.

**Mr Reycraft:** Can you tell us what percentage pay all?

**Mrs Ganong:** The percentage that now pays all is just under 22 per cent. I will just mention that on page 12 of our brief there are tables which lay out these figures.

**Ms Bryden:** I certainly agree with you that payroll taxes are regressive and unfair and hit small businesses especially very hard. One of the reasons is that in many cases you have not been able to afford to pay OHIP premiums for your employees, so this will be a completely new tax—

**Mrs Ganong:** That is exactly right.

**Ms Bryden:** —on the 56 per cent that pay none and an additional tax on the 22 per cent that pay part.

I also agree with your condemnation of the overlap where employees and employers will be asked to pay an extra three months' of OHIP premiums after 1 January, when they are all supposed to be abolished. As you say, I think it is

unconscionable to be asking employees to ante up for another three months, and the ministry is confirming that this is its position by letters to people who write in and say, "I'm not supposed to pay anything after 31 December."

So we do agree on those points, but as far as user fees that you mention are concerned, or even a 60-40 sharing of the cost between employees and employers, I cannot see that this is any different from premiums, which we are abolishing. We are abolishing premiums because they are a regressive and unfair tax. They are not based on ability to pay, they are based on whether you are sick or not—that is, user fees are. The employee-employer share is not based on ability to pay either, because your payroll may have very little relationship to your other assets and your income.

**1150**

It seems to me we have got to get away from either user fees or a joint sharing of some sort of employers' tax levy and look at other alternatives. Would you consider other alternatives, such as a tax on the thousands of corporations and individuals who pay no income tax under our present system because of loopholes, or would you consider a wealth tax, which Sweden has, which taxes assets that are not covered by income tax, or would you consider taking the other half of the capital gains tax? Those are three options that could be considered as a replacement.

**Mrs Ganong:** Of course, the committee needs to understand we have not done any intensive analysis of various forms of tax. When our members are suggesting a 60-40 split, they are concerned with bringing back accountability to the system. On page 18 of our brief we have a number of accountability mechanisms that our members have suggested in order to re-establish a sense of what health care costs in this province in order to keep health care costs from spiralling completely out of control. That is our members' concern.

**Ms Bryden:** Would it not mean a means test?

**Mrs Ganong:** Not necessarily.

**Ms Bryden:** You would have to see whether people qualify for care.

**Mrs Ganong:** I do not think it necessarily would. Again, it is a question of political and consumer accountability in order to keep the costs under control. We are looking at ways to keep the cost down. Right now we are spending a third of our provincial budget on health care, and it is still going up.

**Ms Bryden:** We have great shortages.

**The Chair:** You could perhaps have this dialogue after the committee has adjourned.

**Mr Runciman:** I am not supportive of this tax and I agree with your national president's view that this Liberal government is the most antibusiness government in Canada.

However, I posed a question at earlier hearings in respect to the Manitoba situation, and you have made reference to that in your submission. Some material has been provided by our researcher in respect to that request. I will quote from it:

"During the first few years after the introduction of this payroll tax, its effect was monitored by the Manitoba Department of Finance. Although the department does not have any hard numbers on the impact on job creation, there was no evidence of any negative effect."

Because of Ontario being a significantly different jurisdiction, the director did caution against drawing conclusions, but since you have used it as an example in your testimony, I am just wondering if there is any way—perhaps not today because of our limited time—your organization can help this committee in respect to coming up with some hard figures in respect to the Manitoba experience and the impact on business. That would be very helpful.

**Mrs Ganong:** We can help you today. On page 7 of our brief we give some statistics on the Manitoba experience, based on a survey of our Manitoba members that we conducted in 1985. The results were very striking; 64 per cent of our members experienced reduced business profitability, 52 per cent experienced reduced cash flow, almost one in three reduced hiring, 39 per cent experienced a significant addition to paper burden, nine per cent had to resort to layoffs and 22 per cent went deeper into debt and increased their bank operating loans.

**Mr Runciman:** Thank you very much.

**The Chair:** I would like to thank you for this very thorough brief and also the accompanying research that is with it. You have done an excellent job. Thanks for coming today.

We may have an opportunity to fit Mr Nixon from the Personnel Association of Ontario in. If a bell rings, we will have to go to vote. If not, perhaps committee will agree that we will take the extra time after 12 o'clock to hear Mr Nixon.

**Mr Nixon:** I am in your hands, Mr Chairman.

**The Chair:** If you want to proceed, we will try to do it to save you from coming back.



## PERSONNEL ASSOCIATION OF ONTARIO

**Mr Nixon:** Fine. Good morning, ladies and gentlemen. My name is Richard Nixon. I am the chair of the Personnel Association of Ontario's government affairs committee.

Let me tell you briefly what the Personnel Association of Ontario is not. It is not a group that represents employers and it is not a group that represents trade unions or employees; rather, it represents human resource professionals, 6,200 of whom in Ontario are members of our association. We have 27 regional associations across the province and were formed more than 50 years ago. I would like to think that I come before you today representing human resource professionals, not with an axe to grind on behalf of either employers or employees.

I have heard submissions regarding the overlap on January, February and March. I am not going to deal with that; enough has been said about that.

I would predict, however, that as a result of Bill 47 we are going to see some industrial relations problems in situations involving employers with trade unions, for example, that split the cost of OHIP premiums. The employer may pay half and the trade union or the trade union's members may pay the other half. That is a provision which is commonly found in collective agreements right across the province. In negotiating those collective agreements, the assumption has been that premiums would be split, half paid by the employer and half by the employees.

The problem arises now, of course, with the elimination of the OHIP premiums and the substitution of the payroll tax, that that provision in the collective agreement is going to be no longer applicable. I foresee the possibility of employers who now pay 50 per cent of the OHIP premiums simply trying to turn and collect 50 per cent of the payroll tax from employees or the trade unions. That is a concern that I do not think is addressed in the Employer Health Tax Act.

The second problem relates to the month of December of this year. As I understand the way in which the tax will operate, tax will be collected in January for the month of December, in February for the month of January and in March for the month of February. The result of that is that not only do you have the overlap for January, February and March, but you also have the potential for an overlap in December. Employers will in effect have had to pay twice for the month of December as well as January, February and March.

Those are the two submissions I would like to make on behalf of the Personnel Association of Ontario.

**The Chair:** Thank you, Mr Nixon. Mr Reycraft, do you have a question?

**Mr Reycraft:** I do. Before I get to the question, may I respond to the second concern that has been expressed? There has been a change in policy that obviously has not been communicated to Mr Nixon.

The situation that you describe with respect to the January payment is correct as it was described in the original bill. However, the policy change that is now in place and is proposed is that the January payment should be based on the estimated January payroll, so we would not have the January payment based on December payroll, as was initially proposed in the bill.

**Mr Nixon:** Okay, but with all due respect, from what you have just described, I think the result is the same. The employer must pay the payroll tax on 15 January, whether it is based on the actual payroll for December or the estimated payroll for January. The employer pays in the middle of the month in January. For example, as an employer of a nanny, I pay income tax in respect of the month of November on 15 December and in respect of the month of December on 15 January.

I suggest that by simply saying that instead of basing it on the actual payroll of December we are going to base it on an estimate for January, the result is still the same. The employer pays the payroll tax in the middle of January. I think the result is the same, as I say.

**The Chair:** Do you have a question?

**Mr Reycraft:** Yes. My question related to the other concern that Mr Nixon expressed, which is that employers would try to recover 50 per cent of the EHT, or part of the EHT, from their employees because those employees now pay part of their OHIP premiums.

To do that, they would have to make changes in collective agreements. Under the Employment Standards Act an employer cannot do that without written consent of the employee. I think normally in the collective bargaining process the objective of the employer is to obtain a settlement on the downward side. The objective of the employees, of course, is to get a higher one. Is that really going to have a major impact on that collective bargaining process?

**Mr Nixon:** I think it could. Let me give you a situation that is quite prevalent in the construction industry. In the construction industry it is the



trade unions, not the employees, who pay OHIP premiums. Employers make welfare contributions to the union. The union, in turn, assumes the responsibility of paying the trade union members' OHIP premiums.

#### **I200**

What will happen, I suspect, is that in many instances employers may decide that since the welfare contribution amount was calculated on the assumption that the trade union would pay the OHIP premiums, they will take the old welfare premiums, whatever they may be, deduct the amount of the old OHIP premiums and remit the balance to the trade union. That circumvents the problem which you referred to under section 8 of the Employment Standards Act. It is no longer a deduction from the employees, it is a reduction of the amount the employer contributes to the union, which was in the past paying the OHIP premiums.

**Ms Bryden:** I note that Mr Reycraft has informed you that the government is planning to change that December remittance that was originally in the bill and is apparently ready to act on that, which may overcome some of the fear of double-dipping or getting a preliminary payment before 1990 starts in order to strengthen the coffers of the government in the phasing-in period, but it has not indicated any willingness to act on the double taxation of employers and employees who remit normally in December, covering the next three months to 31 March.

I think it is very surprising that the government acts only on the one thing, which would affect only employers, but is not acting on the other thing that affects literally thousands, maybe hundreds of thousands of people in this province who will be expected to pay three months' extra premiums in 1990. I am intending to bring in an amendment to that situation and I hope the government adopts it, but I think it is shocking that it is not happening. Do you think we should have both amendments?

**Mr Nixon:** Definitely. I think too that if there was a real change going to be made with respect to December of this year, I suggest to you that the payment in respect of January should be made on 15 February, not 15 January. But I completely concur that there should not be overlapping of the payment of health care costs, be it by individuals in the province or employers.

**The Chair:** That is a five-minute bell, I assume. We could probably get Mr Runciman's question in and finish this.

**Mr Runciman:** To save time, I share the witness' concerns in respect to what is going to happen in collective agreements. I am just wondering if he has any suggestions with respect to how the committee could make recommendations to the government and how this might be handled in a better fashion. Perhaps he can do this in writing and submit it to the clerk of the committee. I think that would be helpful.

**Mr Nixon:** I think we can do that, because my genuine concern, from a human resource professional's point of view, is that if there is not clarification in the bill, then thousands of hours are going to be spent on grievances and arbitrations which need not be spent if a simple amendment clarifying what employers can and cannot do, what trade unions can and cannot do and what employees can and cannot do is made. I think it would be a shame that a lot of good people's time and money be spent if a simple amendment to the bill can be made at this time.

**The Chair:** Thank you very much for your understanding and patience. Just very briefly, I will tell the committee that unless I am directly challenged, I intend to start these proceedings on time in the future as scheduled so that we are not put in such a rush.

**Mr Haggerty:** That is this afternoon.

**The Chair:** That is 3:30 this afternoon. The hammer is going. This committee is recessed until 3:30.

The committee recessed at 1205.

## AFTERNOON SITTING

The committee met at 1530 in room 151.

### COMMERCIAL CONCENTRATION TAX ACT, 1989

#### EMPLOYER HEALTH TAX ACT, 1989 (continued)

Consideration of Bill 46, An Act to establish a Commercial Concentration Tax, and Bill 47, An Act to impose a Tax on Employers for the purpose of providing for Health Care and to revise the requirements respecting the payment of Premiums under the Health Insurance Act.

**The Chair:** I would like to call the standing committee on finance and economic affairs to order. We are hearing submissions on the employer health tax and the commercial concentration tax. We have a little more time this afternoon time-wise than we enjoyed, or did not enjoy, this morning, as we have had two cancellations during the day. We will still try to stay as close as possible to the 15 minutes and, if agreeable, one question per caucus so that we can in fact accommodate all members of the public who wish to appear before the committee. I may not have to be quite so iron-fisted this afternoon as I was forced to be this morning due to a little more opportunity for time today.

**Ms Bryden:** Mr Chairman, on a point of order: I would like to circulate to all caucuses my two amendments that I was going to do this morning.

**The Chair:** Okay, that is fine.

Our first deputation this afternoon is the Hotel Association of Metropolitan Toronto, Edward Robinson, executive vice-president. Is he here? If you would come forward and introduce your associates for the purposes of Hansard, you may begin when you are ready. As I have said, we have allowed 15 minutes for your presentation and questions.

#### HOTEL ASSOCIATION OF METROPOLITAN TORONTO

**Mr Robinson:** On my right is David Larone, a principal of Pannell Kerr Forster, who did a brief for the Hotel Association of Metropolitan Toronto, excerpts of which are included in your briefs.

In the next five minutes I will explain to you, first, how the proposed commercial concentration tax will prove to be disastrous to the \$3-billion-per-annum hotel industry, and second, why hotels must be totally exempted from

the CCT in Metropolitan Toronto. I would propose to spend the remaining 10 minutes responding to questions.

For the record, the hotel association believes it lamentable that a tax which has so much negative impact on the fastest growing industry in Ontario and Canada and employing tens of thousands of employees in Toronto alone receives only 15 minutes of review by the province's legislators. We do hope our presentation and serious concerns are shared by you and your colleagues.

In addition to the brief before you, there are the following documents: tab A, a summary of the CCT impact study prepared by the international management consulting firm Pannell Kerr Foster; tab B, myths and facts pertaining to Toronto hotels; tab C, unrealized convention business; tab D, convention business forecasts; and tab E, graphs explaining the importance of the tourism industry in Ontario.

Today, with less than a 40-year history, the modern hospitality and tourism industry is arguably the world's most important business sector in terms of employment, foreign currency earnings, revenues and numbers of customers. Hospitality and tourism in many ways can be the ideal 21st century business. It can be—it is—environmentally clean, use totally renewable resources, offer a tremendous range of employment opportunities and generate strong multiplier and business linkage effects in local economies.

The following is an abbreviated outline of the strategic importance of the tourism industry.

Worldwide tourism spending in 1988 was \$2 trillion, or 12 per cent of the world's gross national product. Compare that to Canada's 1988 tourism revenue of \$24 billion, of which \$13 billion is generated in Ontario.

Between 1975 and 1987, the tourism employment growth rate in Canada exceeded the increases in every other sector, including the manufacturing sector, which was exempted from the CCT. In 1988, 632,000 direct jobs were related to the tourism industry in Canada; 177,000 of those were in Ontario and 30,000 in Toronto's hotel industry alone.

Ontario is the province of entry for 56 per cent of all Canada's tourists. Toronto is the gateway for the majority visiting Ontario. Conversely, if tourists find Toronto unattractive, tourism suffers throughout Ontario and Canada.



Marketing studies have consistently demonstrated the deciding factor in tourism decisions is the cost of accommodations. Of every tourist dollar, 70 cents is plowed into the local economy. Only 30 cents of every tourist dollar is spent on accommodation. In 1988, the Ontario government received \$2 billion in taxes from tourism; over \$400 million came from Toronto.

In 1987, 2.25 million visitors came to Canada. In 1988, 1.5 million Canadians visited New York state as part of an 11.5 per cent increase of Canadian visits to the US. Competition for tourism is waged aggressively at the international level. Canada's total annual tourism deficit increased by 8.2 per cent to \$2.7 billion in 1988.

Summary of findings: The PKF report concluded that the ability of Toronto hotels to be competitive, particularly in the North American market, has already been gravely jeopardized by taxes. The emergence of new taxes, particularly the CCT—and this morning we witnessed the employer health levy, about which I was part of a brief given by Tourism Ontario—will exacerbate already declining revenues and further erode their competitiveness.

Every five per cent drop in occupancy will result in a loss of over 3,000 jobs, direct and indirect. Unemployment will have an inordinately heavy impact on those who are most vulnerable: the unskilled, minorities, new Canadians and women. You heard some of that this morning from Jean-Guy Belanger, the president of the local union responsible for 13,000 of those employees. It is not very often that we are on the same side, employers and employees. I am happy to say that we see exactly the same, eye to eye, on this tax.

Toronto hotel occupancy in 1989 has declined by as much as 15 per cent. The \$11 million to be raised annually through the CCT has already been lost in unrealized provincial sales tax revenues due to major occupancy decreases this year. Losing a city's attractiveness can happen overnight, while a recovery may take years to attain.

Hotels already contribute more than their fair share through several provincial taxes—room, beverage and food taxes—particularly since hotel guests have a marginal impact on transportation infrastructure. Hotels in Toronto are assessed at double the rate relative to similar commercial office tower properties.

Beyond the primary concern of accommodation costs, there are several secondary factors undermining Toronto tourism. We are one of the most expensive cities in North America. We

have just about the highest gas, food and beverage prices in North America. Our dollar has increased alarmingly in one year. Major increases have been attributed to government social programs, eg, the employer health levy—tax, I guess it now is—which I alluded to earlier. There has been a major decrease in federal government tourism advertising and a major increase of US border state advertising; hence, the jump in Ontarians heading south for their vacations. There was a 12 per cent increase of Canadians visiting the US in 1989, accompanied by an eight per cent decrease in US visitors. That is an alarming statistic.

In 1992 we will have the federal goods and services tax, which will add a further six per cent increase to room rates. It is admitted by Michael Wilson that the hotel industry will be one of the hardest hit by the GST.

Toronto hotels pay the highest property taxes of all other hotel industries in North America—this is North America, not even Canada. In Toronto, we pay \$3,257 per room, versus \$741 per room in Boston. The CCT will add an average of \$392 more per room to hotels in the greater Toronto area. Downtown Toronto hotels will pay at least \$580 a room.

Booking forecasts for leisure and convention bookings reflect serious decreases in the next three years, especially from US convention and meeting planners. Hotel occupancies rarely go above 73 per cent per annum in Toronto.

High labour and capital costs, accompanied by declining occupancies, have produced marginal returns on investment, approximately six per cent. A random sampling of 17 major hotels in Toronto showed a collective operating loss of \$21 million in 1988. That is documented. Due to price sensitivity in the North American market, hotels have been unable to increase room rates as required to offset these tremendous losses. Had the competitive market permitted this, hotels would indeed have increased rates to at least cover the losses caused by inflation and tax increases.

#### 1540

Of a hotel's total area, 40 to 50 per cent is manufacturing space required to support the operation and cannot be leased or rented. Examples are kitchens, laundries, storerooms and banquet areas.

Hotels are significantly different from office towers. We have no provision to pass on the CCT such as an office building or the commercial sector will have. A two-day stay is the average in a hotel, versus a five- or a 10-year lease. We have



much higher labour input. In some hotels, up to 40 or 50 per cent of total gross revenue goes on payroll costs. Up to 50 per cent of our space is manufacturing-related and we are primarily—and this is very much overlooked—an export industry.

It is obvious the government designed the CCT strictly for office and commercial towers and threw in hotels as an afterthought. Hotels do not, after all, lease or rent rooms by the square foot and have no acceptable mechanism to pass this type of tax through to the customer.

Given the consequences and ramifications to the hotel industry, it would be entirely reasonable for the standing committee on finance to recommend a total exemption for hotels. The gains to be made in employment, increased provincial sales tax revenue and spinoff to the local economy far outweigh the revenue gained from collecting the CCT in a magnitude measured in tens of millions of dollars. Instead of seeking solutions ostensibly through short-term taxes, we encourage you, the government, to recognize the long-range partnership opportunity to foster a climate in Ontario that both recognizes and actively promotes increased tourism in the Toronto area.

If I may ask you to flip briefly to tab C in your briefs, this is a random sampling of approximately five letters from meeting organizers throughout the USA which were sent to the Metro Toronto Convention and Visitors Association. These five people, and there are many more, have decided to hold their conferences elsewhere. In tab C, and you may peruse this at your leisure, are the letters from these five organizers detailing their reasons, mainly the cost of meeting in Toronto.

On page 3 of that tab, for the total of the sample, approximately 10,000 delegates—9,500, it is shown—the provincial sales tax value these five groups would have brought to the government was \$1,233,400, the point being that if we can encourage more visitation to Toronto, your tax base automatically increases. If we scare it away, you may get your tax, but you are losing millions in unrealized potential taxes from visitation from every visitor who comes into the city.

Tab D gives you a brief overview of the convention forecast. What we show here, and again these are MTCVA figures, is that the years 1991 and 1992 will be a disaster in this area. This is without any help from the GST, I might add. Bookings for 1991-92 are down dramatically and we in this industry, as is the entire industry, are very worried about those years.

Again, this brings me back to the letters written by just these five at random saying that Toronto is just too expensive. Now we are asked to pass through more taxes to them.

**The Chair:** Who has questions? If you are completed, I will go to them at this time.

**Mr Robinson:** No, I still have just a few more points to be made.

**The Chair:** All right.

**Mr Robinson:** In the same tab you will see a letter I recently received from Key Tours, which again details a dramatic drop in its number of visits.

The first page in tab E, if I can draw your attention to that, shows that Toronto pays the highest property tax and municipal charges in North America. When we add the CCT in 1990—and that is a misprint, that should be \$392 additional—the new cost per available room in Toronto will be \$3,649 compared to the next closest, Chicago at \$3,165.

Page 11 of that same tab, table 4 at the bottom, gives you some idea of the amount of taxes collected by the government of Ontario through Toronto tourism industries, \$365,548,000. That was in 1987. Over the page it shows you where we show up in North America in terms of the most expensive city.

I know I have limited time. I could go on quite a long bit more, but I would like to leave—

**The Chair:** I will apologize for the limited time, but we have a long list of people who want to come before this committee and we just simply have only a certain length of time that we are permitted to sit. Since you have exceeded the 15 minutes that were to include questions, I would appreciate it if you would wrap up so that we could go to those questions.

**Mr Robinson:** I will wrap up right now and then go to the questions. I think it is important.

**The Chair:** All right, that is fine.

**Mr Reyecraft:** I would like to ask a number of questions, but I know you are not going to allow that, Mr Chairman.

I want to ask about the projected bookings that you mentioned just at the end of your presentation. You talked about the number for 1991 and 1992, I believe, being down considerably. I assume those are confirmed bookings and that you would expect that the actual number will be higher than that because there would be other confirmations coming. Is it not normal that there would be a decline when you look that far ahead at the number of bookings that are confirmed?

**Mr Robinson:** That is a good question, but what we have done is take into consideration where we are today and where we were five years ago today and this has been extrapolated. We are taking that into consideration. We are not saying that in five years we will only have this number. We are taking into consideration projected figures, as we normally do when we look five years out, because conventions are booked five, six, seven, eight or even 10 years ahead.

**Mr Reycraft:** Is there any pattern between those bookings and the exchange rate? Is the strength of the Canadian dollar a factor in those bookings?

**Mr Robinson:** The Canadian dollar, the artificially high Canadian dollar, I should say, obviously has some impact on what is happening today. Whether it has an impact five or six years out is hard to tell. It has definitely affected 1989 business, because we are down substantially in the first six months of 1989 from forecast and from 1988, and we are doubtless that if it stays high it will affect 1990 business. It is hard to say if people look at the exchange rate five years out. They look at the projected cost of a room five years out.

**Mr Cousens:** I would first of all like to compliment you. I think your presentation is of a very high quality. You have obviously put in a great investment and money to get Pannell Kerr Forster and yourselves to put it together and I commend you for it.

I guess to me the only worry I had was that you have done all this and the committee is not likely to take into consideration—it will take it into consideration, but it is unlikely that any amendments that are made to rectify the concerns you have raised will pass.

What do you see happening then? Is there any further action that you see taking place? Is there anything that we could be doing to help bring it to the attention of the public at large?

I think that is one thing that happens and why you are coming today. I think you have outlined very clearly the ramifications of this bill. What else can you do about it? Is it going to cause a closure? I see significant financial hardship on the hotel industry. Is there anything else that I can do to help you at this time? It is an excellent report. I feel very frustrated with an underlying sense of not being able to do anything for you.

**I550**

**Mr Robinson:** Mr Cousens, welcome to the club. We feel equally frustrated. We have gone through the political process from as far back as

May and June. We have had 30 or 40 meetings among ourselves and with the various departments of revenue and up to and including a meeting with the Treasurer (Mr R. F. Nixon) himself, who made it quite clear that he was not about to change this tax.

I do not know what else we can do except to bear the consequences if and when the industry ends up laying off people in 1990, and this was a fear of Jean-Guy Belanger from the union this morning, that layoffs will have to be looked at very closely. It is certainly something the industry will have to do, because this is not the only tax, this is only one of many being heaped on the industry. When you add that, not to the direct taxes like the employer health tax and the GST in 1992 but to the high cost of gasoline taxes and liquor taxes, which make Ontario a very inhospitable place to visit even for our own people, Ontarians, who are heading south in droves to escape these taxes—unfortunately, we cannot pick up hotels and transport them south of the border or doubtless many people in Toronto would do just that.

**Ms Bryden:** I too feel very frustrated about the process, as a member of the official opposition, the New Democratic Party, because what we are trying to do is to replace the premium income because OHIP premiums have been found to be both inefficient and regressive and unfair. I think you will probably agree with the objective of getting a better system of providing equal access to health care, but the question is, what do you replace that money with?

What the government seems to have gone for are new and untried taxes without any information, or not very much information, as to their economic impact, their impact on industries like yours, their impact on employees and jobs, their impact on our international competition. This is why I think this bill is being railroaded through this committee without adequate information brought to us.

We do not have a researcher to examine your brief and to say, "This brief makes a number of very important points, but somebody should evaluate it because there are always two sides to most questions." That is not being done, and I just think that it is time to call a halt to this kind of railroading through of brand-new, untried taxes. We do not know the administrative costs. We do not know many other things.

**The Chair:** Do you have a question, Ms Bryden?

**Ms Bryden:** I would say that the question is, can we move this bill on to the period after



Christmas when there would be time for adequate public hearings and can we then commission the committee to come up with alternative proposals for replacing those OHIP premiums? What we are looking at is that we need suggestions as to what you would put in its place if we decided to abandon this very untried and rather dangerous tax, in my opinion.

**Mr Robinson:** Ms Bryden, Tourism Ontario, of which I happen to be vice-chairman, made a brief this morning on exactly that point. We said to this committee that a 400 per cent increase on any industry—

**The Chair:** I am sorry, sir; we heard your brief this morning.

**Mr Robinson:** I was just replying to this question, Mr Mahoney.

**The Chair:** I know you were, but frankly, the question—

**Mr Robinson:** I was asked and I am replying.

**The Chair:** Excuse me.

**Mr Robinson:** Yes.

**The Chair:** Frankly, the question should be directed to your deputation this afternoon. It is totally unfair to other groups waiting that we would take twice the time allotted for a group, and I have apologized already for the limited time available. It is not your fault. The question was on the health tax, yet your presentation here is primarily concerning other matters. If you have a brief question on this presentation this afternoon, I would really appreciate it if you would put it.

**Ms Bryden:** The same question applies to both the health tax and this tax. What other kinds of taxes should replace these large, untried, sweeping taxes, which we do not know the economic impact of on our industries? I would like to see a fairer corporation tax and a fairer income tax.

**The Chair:** Ms Bryden, please let the gentleman answer the question.

**Mr Robinson:** We are ready, willing and able to suggest alternative means of collecting this tax to government. We have already done so in many instances. We believe that a sweeping tax without any thought of what it will do to one particular sector is grossly unfair.

**The Chair:** Thank you very much, and I would like to thank you for your presentation. I think it is very professional, and contrary to some comments, I can assure you that members of the committee will take your comments into consideration as much as possible. Thanks for coming today.

**Mr Robinson:** Thank you very much.

**The Chair:** Our next deputation is the Parking Authority of Toronto and there are a number of people representing that organization. If they could come forward at this time, we would appreciate it. Please just come forward, ladies and gentleman. I would ask that you introduce those folks who are here. Please have a seat for the purposes of electronic Hansard and begin when you are ready. We have allotted 15 minutes. I am afraid we lost a lot of our flexibility in that last presentation, so I am going to have to try to stay to 15 minutes as much as possible. I would appreciate your co-operation and that of members. Welcome.

#### PARKING AUTHORITY OF TORONTO

**Mr Lewis:** I would like to introduce Commissioner Joyce Crago of the Parking Authority of Toronto and Commissioner Jim Cameron. My name is Reg Lewis and I am the president of the Parking Authority of Toronto.

It may be unusual for a municipal parking authority to appear before a committee such as yours. However, as president of the Parking Authority of Toronto, I am compelled to advise you with the utmost urgency of our profound concern over section 4 of Bill 46 and the extension of the commercial concentration tax to our operations, and indeed on our very ability to successfully carry out our mandate.

For almost 40 years, the Parking Authority of Toronto has been the largest self-sustaining municipally owned parking operation in Canada. We provide 15,000 off-street parking spaces in support of the city's official plan, namely: We provide them to facilitate transfer from the automobile to the public transit system and also to serve commercial, institutional, industrial and residential areas; we provide spaces on the perimeter of the downtown for long-stay parkers; and we provide spaces within the downtown area for short-stay parking.

The authority's rates are structured to accommodate the demand for both short-stay and long-stay parking and these rates are reviewed twice each year to determine where changes are required to meet the changing parking characteristics in any given location.

You will know that the authority is required to be self-sustaining—it has to make a profit—and to pay a grant-in-lieu equal to both business and realty taxes. In this we have been successful, reinvesting profits in the business as well as returning a goodly portion of those profits to the city of Toronto as rent on city-owned lands.



It will be evident to this committee that there has to be a degree of internal subsidization. The reality is that the downtown car parks, broadly speaking, subsidize the outlying neighbourhood car parks.

It is this delicate balance between profitability and sustainability that is threatened by the commercial concentration tax. If the tax were to apply to us, of the 98 facilities we operate, the number of profitable lots would be reduced from 44 to 31, and thus our ability to maintain our current level of operations will be jeopardized.

#### 1600

The irony here, of course, is that, unlike the private parking business, we are mandated by the municipal government to be a significant part of the public transportation infrastructure. We now stand to be subjected to that very tax that will finance that infrastructure.

At the proposed rate of \$1 a square foot, the tax on our municipal parking spaces will be in the order of \$5 million for the Parking Authority of Toronto. In order to pay that tax and maintain our present level of service, our overall revenues will have to increase by 17 per cent, but as far as the Parking Authority of Toronto's operations are concerned, the great majority of parking lots cannot sustain an increase in rates without actually increasing losses because we will drive parkers away.

The reality is that just 22 of our lots, essentially in the centre of Toronto, will have to bear the burden of the levy. Hence, we shall have to increase rates by 35 to 40 per cent in the downtown core. If we have to add the planned nine per cent federal goods and services tax in the future and also adjust for inflation, we shall be compelled to increase our parking fees by two thirds in the central area of Toronto in a little over two years.

Many will argue that the proposed tax is equal to only \$1 per square foot and does not impose a financial hardship on the Parking Authority of Toronto. This is simply not true. On average in 1988, the authority collected only \$5.82 in gross revenue per square foot of parking area. To be realistic, though, one must consider the impact of the tax on our net revenue. After deducting operating, administrative and amortization expenses, the net amount was \$1.71 a square foot in 1988. But as the authority is in the process of losing its two most profitable lots at this time, this amount will be reduced to \$1.62 very shortly. Do you realize that the proposed commercial concentration tax would absorb over 61 per cent of our net revenue per square foot?

I must reaffirm that we are not in the speculative parking business. The parking authority establishes parking facilities on the long term and these are meant to complement the city's transportation objectives.

I must tell you in that connection that we are currently considering the redevelopment of one of our surface lots to a garage in a vibrant retail strip in the northwest corner of the city. Notwithstanding that this project has a negative net present value of \$840,000, the commercial concentration tax would increase this loss by over \$400,000, for a total net present value of negative \$1.25 million. I very much doubt that this facility will now be built. This is but one example of how the commercial concentration tax will inhibit and indeed preclude us from providing a service to meet the shortfall in parking deficient areas, which historically the Parking Authority of Toronto was created to do.

To carry that a step further, there is every likelihood that we will have to close some lots, further exacerbating the already critical parking shortage in some areas. This can only result in promoting illegal on-street parking, further congestion of our streets and certainly much dissatisfaction on the part of those seeking parking and those dependent upon parking to stay in business. Where then is the incentive for shopper or shopkeeper to continue to do business in the city when suburban malls offer acres of free parking? Consider also the effect of this on the many struggling business improvement areas in this city.

Being a municipal agency exempted from the requirement to pay business and realty taxes but being charged instead to pay a grant in lieu of taxes, we were much heartened by the budget document that indicated the tax would not apply to municipal properties and much disheartened at the first reading of the bill, which reversed that position. As a business arm of the city of Toronto, we support the provincial government initiatives towards improving the transportation infrastructure in the greater Toronto area, but it is quite counterproductive to tax a vital component of that infrastructure, municipal parking authorities. It is also difficult to understand the rationale that applies a levy to a public service that already loses money, which is the situation with most of our car parks.

The Parking Authority of Toronto respectfully requests your committee to exempt municipal parking facilities from Bill 46, the commercial concentration tax.

If I may just add an odd point in order to better brief your committee, this layout, this plan of the city of Toronto, has in colour code those spots where municipal parking facilities operated by the Parking Authority of Toronto are located. I know it is difficult for you to see. I apologize.

Those that you see in the orange-red are those parking facilities that lose money at this time. You see that is a great majority. Those you see in green are the facilities that will join that group after the commercial concentration levy. The odd black spots are those facilities, and few they are, that, while they will have a margin of profit after the commercial concentration tax is applied, are not thought to have the elasticity that they could increase rates to contribute to the loss sustained on these other facilities, while the yellow in the downtown centre of Toronto and up the centre of Toronto are the 22 facilities that will have to increase their rates quite dramatically to make up for the commercial concentration tax.

The point I would like to stress to the committee, if I may, is this: Whereas the increase for the municipal authorities is extremely high, as I have already mentioned, in the vicinity of 40 per cent, the private operators—and I draw your attention to them simply because the Treasurer has made the point that the municipal parking operations cannot be treated differently, but they are different—you do not find the private operators operating in these pink-red areas.

We have to increase our rates dramatically because all our rates are not at the magnitude you find in the downtown core. The rates that are charged by the private operators in those areas are that significantly high that it is an infinitesimal percentage increase to take care of the concentration levy. It is bad in our case, but as an aside, I would suspect that our municipal parking agency colleagues in the GTA may be infinitely worse off than ourselves.

Do my colleagues have anything they wish to add?

**The Chair:** If not, we do have a list of questioners. May I go to them at this time?

**Mr Lewis:** Yes.

**Mr Cousens:** I would like to thank Mr Lewis and his deputation for an excellent presentation on the situation. Rather than ask questions about your content, which I happen to agree with fully and am very concerned, as you are, with the ramifications of what is going on, I am wondering what other action you are able to take through the authority to elected bodies and other deputations to bring the gravity of the problem you are facing to the attention of the government. Is this

your only action to make the Legislature aware of your concerns or are there any other things you could be doing or have done to make sure that the province is aware of the concerns you have expressed?

**Mr Lewis:** Together with the mayor of Toronto, I met with the Treasurer and explained the predicament. He explained his point, which is most logical in that those centre core lots can stand and should be hit with a transportation tax, if I could put it in those terms. I make the point, as I have made to you, that the great majority of our facilities lose money, and they lose money because if we raised the rates it would be counterproductive.

**1610**

We would like them to be self-sustaining so that we could build up more capital to expand the facilities, but to charge higher rates at those locations which serve the residential community, the change-of-mode parker and also the retail strips. They will not pay those rates. They will prefer instead to illegally park on streets and in the residential communities. So this is a tax that will have adverse impact, in my view, upon transportation, and that point was made with the Treasurer, and the Treasurer's advice to us is that we advance our argument to this committee with the implication that he would rest with the decision of this committee.

**Ms Bryden:** I do congratulate Mr Lewis and his deputation on the quality of their submission. I think it has brought to this committee a very important picture of an area that this particular tax in its present form has not even considered, because the parking authority plays a unique role in the transportation system and network of the Metropolitan area.

The fact that it is not recognized in Bill 46 at all, that special role and its special requirements to serve the outlying areas and so on, indicates that very poor research went into the drafting of this bill. It is supposed to be a commercial concentration tax to help increase our infrastructure, but the infrastructure is going to be completely stymied if there is absolutely no parking network available, unless you are going to ban all cars from the city of Toronto. I think the whole concept of raising money for extending the infrastructure through this kind of tax is counterproductive, because you are destroying useful municipal and public facilities that have been built up over the years.

Would you agree that the commercial concentration tax should perhaps be put more on profit-making industries which do benefit from



the whole infrastructure and that the municipal facilities should be not only retained tax-free but strengthened through some of the funds that are raised from a commercial concentration tax?

**Mr Lewis:** I quite agree, and I take it their point in a roundabout way, and it is certainly a great concern to the parking authority in Toronto, is this ability to pay. More and more we are being forced to provide parking facilities and respond to requests of parking authorities, as in residential communities and particularly in the retail strips, which is of profound concern to the city of Toronto and, I am sure, like communities.

To put the burden of this tax on facilities that we knowingly develop, knowing that they will lose money, will be a disincentive to develop them in the future. I suggest they will not be developed in the future and I feel that there is a dire ramification from this tax to the transportation fabric it is attempting to enhance. It would do quite the contrary in so far as parking operations are concerned.

**Mr Daigeler:** First of all, I would like to say that I was pleased that you did in fact note that the origin of this tax is a very significant improvement to the infrastructure of the greater Toronto area, and that with the nature of these hearings it is perhaps sometimes easy to forget that what we are paying for here is actually what benefits us very significantly over the long term. I think one has to keep that in mind.

I think your main argument is that you cannot spread the burden, as it were, across your parking lots because, according to you, an increase in rates in certain areas will drive parkers away. I must say that argument does not really convince me. It is the same kind of argument that people used to make with regard to environment: If we increase prices then people will not buy it, and therefore we cannot have the money to have environmentally good packaging or something like that.

Is it not important that we give a message to all of us that, yes, if we want better roads, if we want better infrastructure, there is a cost to it? Therefore, all of us, instead of just going out and parking on the street, will do our share and pay our fair rate. Therefore, because you can spread it all across your parking lots, the increase on each particular spot will not be that significant.

**Mr Lewis:** Let me say this. As party to the transportation infrastructure, the point I made is that naturally we would support an enhancement of that infrastructure. That is why we make that statement, and we applaud your act in that regard.

I do disagree with your statement that you can raise these rates for recapture, and it is a disagreement based on in excess of three decades in the parking business and somebody who has a financial background. Now this is a printout of all our facilities on a per-square-foot basis. This is the situation at this particular point in time, showing, running down, that our total net income is just \$1.62, \$1 of which will be captured by this tax. Yet the great bulk of this series in here are lots that lose money at this time.

It is not an ambition or a policy of the parking authority to needlessly subsidize the parking structures it operates by their being unprofitable. The reason they are unprofitable at this time is because there is not the elasticity in the rates to meet the increases that you are seeking. That is evidenced by the fact, as I told you, that there are just 22 spots on that chart that reflect those facilities where there is the elasticity to capture this enormous tax.

**The Chair:** Thank you very much, and thanks to the parking authority, for submitting your brief and being here this afternoon. We appreciate it.

Our next deputant is Chairman Alan Tonks of the municipality of Metropolitan Toronto. Welcome to you and your delegation. As soon as the coast is clear, perhaps you would introduce those folks with you. We have allotted 15 minutes, and due to time constraints which I am sure you can understand, we are going to try to stick to that if we can, and we would like that to include some time for questions.

**Chairman Tonks:** I will try to keep my comments as brief as possible.

#### MUNICIPALITY OF METROPOLITAN TORONTO

**Chairman Tonks:** Thank you very much for the opportunity of being again before your committee. It is getting to be a regular habit.

**The Chair:** Happy to see you.

**Chairman Tonks:** I hope the results are a little different than they traditionally are.

**Mr Cousens:** They will not be.

**Chairman Tonks:** Hope springs eternal, Don.

I would like to introduce you to our chief administrative officer, Dale Richmond, and to David Hipgrave.

**The Chair:** We should let the record show that David plays centre on my hockey team, so I may have a conflict.

**Chairman Tonks:** I hope he has more credible accomplishments than that.



As I said, Mr Richmond and I, in the past, have appeared before the committee. We are here today not to seek amendments to the bill but to ask you to actually withdraw Bill 46. Our fundamental objections to the bill cannot be satisfied by simply changing a word here or there or amending a clause.

Before I address our specific concerns with respect to Bill 46, I want to put Metropolitan Toronto's presentation in perspective by highlighting some key points.

First, 87 per cent of the revenue planned to be generated through the commercial concentration tax will come from businesses and municipal government operations within the boundaries of Metro Toronto. That is almost \$100 million of the planned \$114 million that will be extracted annually from our municipality, a figure that will increase annually as more large developments come on stream.

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Second, the province has effectively frozen Metro out of the use of those funds over the next five years at a time when we have severe infrastructure requirements of our own.

Third, we are sensitive to the financial position the province is in. We are committed to the idea of sharing of resources in a growing community. However, we are unalterably opposed to all the money flowing out of Metro and none being available to help us finance the badly needed Metro infrastructure improvements over the next five years.

I would like to address some specific concerns.

From a provincial-municipal relations perspective and a public finance perspective, we also have grave concerns that have led us to conclude that a withdrawal of the tax is required.

First, those concerns begin with the process that was used to introduce the tax. The process was nonconsultative. If there had been opportunities for discussions, we could have recommended preferable ways to generate revenues that may have been mutually beneficial and achieved the result without distorting the public finance system. Our paper today suggests an alternative.

Second is the intrusion into the municipal tax base. We are concerned also about the disruptive effect that this tax will have on the public finance system. No matter how you view this, it is clearly an intrusion into the commercial property tax base which has been the traditional purview of municipal government. We find this all the more surprising because the single-source tax base has

never been sufficient to provide municipalities or Metropolitan Toronto with the revenues it requires, and all attempts by the municipal sector to gain access to other tax bases have been summarily dismissed by the Treasurer.

Third, the principle of those who benefit must pay, those who pay must benefit is suspect. Let me talk about this concept which was introduced by the Treasurer in his 1989 budget speech. That concept was that those who benefit must pay. There is a certain logic in that statement as it applies to urban growth and development, but we wish to make the very forceful point that you have to continue to prime the pump to get water from the well.

I wish to contrast the position assumed by the provincial government today compared with that assumed by the Metropolitan government in 1953, when Metropolitan Toronto was created. In 1953, and for that matter in all subsequent periods, the Metropolitan government was committed to meeting the spending priorities in the city of Toronto, to keep the economic engine strong. There is no indication that the provincial government, over the next five years, will ensure that the commercial concentration tax moneys will be available to meet any of the spending priorities of the Metropolitan government. Needless to say, this causes us great concern.

I would like to discuss the conflicting message on imposing the tax on public transit facilities, similar to my colleague Reg Lewis, who has just given you a peripheral concern.

We are somewhat perplexed by the province's decision to tax our Toronto Transit Commission parking lots. We established those lots to get people out of their cars and on to the public transit system so that they would not be taking their cars into the downtown area and adding to the traffic congestion. The user fees of those lots have always been kept down to ensure that the price to transfer from the user's car to the TTC was not prohibitive. This tax could result in doubling the fee at some of those lots.

The imposition of the tax on the TTC is in conflict with the province's own stated objective of establishing gateways, the points in the transportation network at which people move from their cars to transit. We are concerned that the tax penalizes or may reduce the number of people willing to transfer from their autos to public transit. We think this action only serves to confuse the public. Are we encouraging them to take public transit or are we trying to drive or tax them away from public transit?

Competitive provincial facilities at the same time are not taxed. I would like to discuss some problems we have with this discriminatory treatment of Metro Toronto facilities as opposed to provincial facilities.

Although it is a small point, it certainly is one that is cause for concern, and I put it to you in the form of a couple of questions. Is it fair to levy the tax against the parking operations of the Metropolitan Toronto Zoo, but not against one of its major competitors in the attractions industry, the Ontario Science Centre? Is it fair to levy the tax against the parking operations of Exhibition Place, but not across the street at Ontario Place?

You can appreciate that it is difficult for me and for council to understand why municipal lots are captured in any event. We had a letter from the Treasurer of Ontario stating that "commercial paid parking operated by municipalities or their local boards have been included to ensure equitable treatment between parking provided by the public sector and municipal parking. These parking facilities compete with private sector parking." We are just wondering why that type of logic would not be extended to provincial parking as well then and, while the competitive nature of business is being recognized, why that logic would not be extended to the competitive nature between provincial and municipal facilities.

Let me summarize these points before we conclude. The process to develop and introduce the tax was nonconsultative. The tax is an intrusion into the municipal tax base. Although we have no problem with the concept that those who benefit must pay, we must pose the question to you: Should those who pay not benefit? We believe the imposing of the tax on the TTC parking lots presents a conflicting and confusing message to the public and, finally, we question why provincial facilities that compete directly with Metro facilities were not made subject to the tax. This is not equitable treatment.

When we look at this tax in isolation, we conclude that it is a bad tax. We question the wisdom of establishing square footage as the base for the tax. We know that the tax causes some serious distortions. We think that it confuses public accountability and, while that is bad enough, it looks even worse when you look at it in the context of provincial actions in recent years: first, the devolution of provincial responsibilities to the municipal sector without concomitant financing; second, the capping of unconditional grants and restraints imposed on conditional grants; third, the movement by the province

into the municipal tax base, such as the educational development charges.

We suggest that this is the most frightening situation that we have had yet to face in recent provincial-municipal relations and can only conclude that it is part of a bigger strategy, or even a conspiracy by the province, to better its own situation at the expense of the municipal sector. This is a strategy that at least has been very insensitive to the shared responsibility of good government.

In conclusion, we are fearful that if the trend continues, the residents of Metro Toronto will not get the level of services they deserve for taxes that are affordable, nor will we be able to serve with the best government possible, a goal, I would remind you, that your government established for us just one year ago when it instituted direct election in Metro Toronto.

We would recommend that the province withdraw the bill and that consideration be given instead to an arrangement in which Metro Toronto would give up an equivalent amount of conditional grants but be given increased taxing authority. We would like to point out that this would be revenue-neutral to the province. It would provide greater accountability and it would rationalize taxing authority and responsibility and, therefore, would be a positive step in the move towards municipal fiscal reform in the greater Toronto area.

Mr Chairman and members of the committee, we thank you for your attention. David and Dale and I would welcome any questions that you might have.

**The Chair:** Thank you very much, Chairman Tonks. We have Mr Cousens first.

**Mr Cousens:** I have to say that I have never, in my history in the Legislature, heard a stronger statement by an elected official about a bill before this Legislature. When I hear Mr Tonks and read his deputation, I sense a very deep sense of concern about what this bill is all about. Having heard you and having glanced through your report, I am concerned about the implications this has to your municipality by virtue of the fact that it is not liked by you, that there is going to be much change in the bill before it comes back for third reading. I am just wondering, have you considered those implications, because of the fact that the public at large will be blaming you for what is in fact another grab for taxes?

1630

**Chairman Tonks:** Our great concern must be seen against the background of the changed mandated relationships in everything from the



court security side of the spectrum—and this is not atypical to Metropolitan Toronto; court security is something you have heard right across the province is causing concern, but in Metropolitan Toronto it is on a tremendous scale—right across to homes for the aged. We have waiting lists of several thousands of people and we have changed the per capita sharing unilaterally from the province. I could name several programs that are large-ticket items.

Against that background there comes the need to produce new infrastructure and indeed to replace old infrastructure to meet our housing targets that we thought were shared as priority items with the province. The fact is that we will not be able to do them. Even where we share priorities with the province, we will not be able to attain them, to the extent that what is happening in our council is that when we consider infrastructure enhancement in order to meet new population growth and new commercial activity as against maintenance of the system, the councillors are opting for maintenance of the system. Maintenance of the system means staying in the same place. Staying the same place means that the economic engine will be running, if it is a V-8, on seven and six and five cylinders, and everything that the province is looking for with respect to the income generated for it will be like the proverbial caucus race: six steps forward and seven steps back.

Now, in political terms, yes, we have thought about it, and what you are going to have is a massive demonstration by local government in the Metropolitan Toronto area, manifesting itself in any way possible to illustrate the problems that are being created by this approach. I do not say that with great relish, as you can appreciate, but I have to say it as a representative of a council that is looking at its responsibilities in terms of providing those very, very necessary services and that quality of life.

**Mr Daigeler:** I appreciate the position you have taken, but with all due respect, I must say that I am a bit surprised at the lack of information which seems to underlie some of the comments that you have made.

**Chairman Tonks:** I am here to be educated also.

**Mr Daigeler:** For example, most of the Metro Toronto Zoo is excluded from the tax because it is a seasonal use of the parking facilities. Second, Exhibition Place, as well, is exempted because of the seasonal use. However, most of all, when you are saying, "Should those who pay not benefit?" you are asking that as a question, and I

agree with you. But I would like to point out, is this not a benefit to Metropolitan Toronto: Union Station improvement, \$58 million; Yonge-University-Spadina subway capacity improvement, \$38 million; Sheppard station, Yonge subway upgrading, grade separation and bus access, \$29 million; Highway 401 extension—and I just checked with ministry officials whether that is in fact in Metro, and certainly parts of that are—\$147 million for widening of the collector lanes. So if you are saying that Metro is not benefiting, I would put it to you, sir, that there obviously seems to be a lack of information. I would say that is of tremendous benefit to Metro and perhaps I would invite you to comment on that.

**Chairman Tonks:** I would be more than pleased to do so. First of all, those were projects that had been approved prior to the imposition of the commercial concentration tax. Those are against the background in terms of the netting out of a reduction in Ministry of Transportation subsidies for the maintenance of the existing system. Those are also reflective of provincial priorities, not necessarily Metropolitan Toronto priorities.

Finally, I would like to say that we are already paying for many of those transport-oriented improvements out of the differential that comes from the licensing. I would suggest that you really should not hit the same user in a fair user-charge basis, if that is your philosophy, first of all through your automobile licensing—you are capturing \$90 in the greater Toronto area and only \$60 across the province—and then add on to that, in the same philosophy, the commercial concentration tax. I think that is certainly charging double.

**Ms Bryden:** I think, Mr Tonks, you certainly have made a very strong case for withdrawal of this misguided tax, because I think your criticisms have shown that there was very little consultation with the local municipalities operating in the greater Toronto area and that there was very little consideration of where the money would go. In fact, in the bill itself there is no guarantee that any of the money that comes in will go to any projects that you particularly want or that our friend across the way there mentions are going ahead. There is no money in there for the Sheppard subway, which is the next greatly needed thing, and not the things that were planned three or four years ago that are going ahead.

**Miss Roberts:** He might not agree with you on that.



**Ms Bryden:** I do not know whether you are also aware that the bill itself is very defective in that it gives the Lieutenant Governor in Council, in other words the cabinet, the power to make regulations authorizing almost anything: a change in definition of a word prescribing the rate of interest payable under the act for anything; putting in regulations that are retroactive; limiting the amount of tax payable for certain persons, including exemptions. In other words, it is a completely open bill that maybe Big Brother would have brought in, but it is not the kind of bill that you expect in a democratic society where municipalities and the province and all levels of government in the region should be co-operating to develop the best possible system and to develop a fair tax system.

I agree with you that the—

**The Chair:** What is the question?

**Ms Bryden:** Well, what I would like to ask is, do you think the regulations power alone is sufficient to ask that this be turned back?

**Chairman Tonks:** When we met with the Treasurer (Mr R. F. Nixon), I pointed that out to the Treasurer. There is a catch-all at the end of the legislation which allows its open-endedness. I think it is the thin edge of the wedge scenario. We had thought that the Treasurer had initiated a process which would call for major tax reform in the province and would bring in conditional and unconditional grants and look at a new financing approach. We had hoped that that would be done, never mind in the Metropolitan context, but in the Ontario-wide context.

With respect to the GTA, what concerns us is that we have initiated a GTA planning process, but the Treasurer has decided to take the money first. It seems to me he got it ass backwards, if you will pardon the expression; that we really should be looking at whether we agree on our planning approach, whether the framework is in place and then, how are we going to drive it and what are the results that we want in terms of driving towards it? It is not just that the legislation is poorly thought out in terms of how it impacts on local government finance; it is the whole approach of how you plan and then how you finance your plan.

I have to tell you that I am really quite amazed that the government would come forward in this manner, notwithstanding recognizing that Metropolitan Toronto is indeed unique. We are very concerned about the industrialization. We are very concerned about how we are going to keep up with our economic growth in order to maintain the services which are required in

Metropolitan Toronto. It is an approach that just seems to be out of sync.

**The Chair:** Chairman Tonks, I want to thank you and your group for coming today. I appreciate the deputation and your very frank presentation.

**Chairman Tonks:** Thank you. I appreciate the questions and I appreciate the indulgence of the committee.

**1640**

**The Chair:** Our next group of presenters is the Council of Ontario Construction Associations. We will switch gears a little bit and move over to Bill 47 with their presentation. Could I ask those people to please come forward and take a seat at the table, and could I ask whoever the lead presenter is, since you have a large group, to introduce yourself and the group with you. We have set aside 15 minutes for your presentation and for questions and would appreciate your trying to stay within that bound.

#### COUNCIL OF ONTARIO CONSTRUCTION ASSOCIATIONS

**Mr Frame:** Thank you for interrupting your schedule in examining Bill 46 so that we could talk to for a few minutes today about Bill 47.

On my far right is Brian Foote of the Toronto Construction Association, labour relations branch. Beside him is Alex DeIulis, chairman of the Council of Ontario Construction Associations. To my immediate right is Mike Vukobrat, who is chairman of the Construction Employers Co-ordinating Council of Ontario.

Mr DeIulis will read some remarks right now.

**Mr DeIulis:** The Council of Ontario Construction Associations represents 48 local mixed construction associations and construction trade associations in the Ontario construction industry. COCA's mandate is to represent our members on issues relating to provincial government legislation and regulations. The Construction Employers Co-ordinating Council of Ontario, CECCO, co-ordinates collective bargaining for 25 employer bargaining agents in the industrial, commercial and institutional sector.

Both COCA and CECCO support the principles behind the government's move to abolish OHIP premiums and to establish an employer health tax. However, we are concerned that Bill 47, as it now reads, will cause an inequitable application to much of the construction industry. There are two specific concerns that we wish to present to the standing committee on finance and economic affairs.

First, as earlier indicated by the Ontario Painting Contractors Association, implementation of the employer health tax in its present form will require at least 13 employer bargaining associations to make double payments to ensure continued health coverage, once through this legislation and a second time through current contracts which require employers to pay an hourly sum to a welfare plan which provides for OHIP coverage.

The cancellation of OHIP payments, effective 1 January 1990, has now led to disagreement between labour and management representatives over the ownership of these moneys.

Clearly, the intent of this legislation was to put all employers on an equal footing as to the support of health care funding. Employers who were paying OHIP are simply to discontinue those payments and begin remitting the employer health tax. All those who have not been making payments will now be forced to share an equal burden. Our problem, of course, is that the legislation gives no direction as to the ownership of moneys currently being paid for OHIP through collective agreements. As a result, this controversy has already led to unnecessary labour-management confrontation throughout the unionized construction industry.

The stand-off has led some employer associations, such as the Ontario Painting Contractors Association, to declare that they are prepared to withhold the equivalent OHIP payments from the multi-employer benefit plan.

We propose that the committee address this problem by directly requiring the issue to be solved between the parties at the bargaining table. We suggest an amendment which directs that "where an employer is obliged under the terms of a collective agreement to make contributions to a multi-employer benefit plan which provides employees with OHIP coverage, then the employer will not be required to remit employer health tax in respect of such employees during the currency of the collective agreement in force at 1 January, 1990."

Second, a significant problem exists in the construction industry relating to fixed-price contracts. As you know, contracts, particularly in the industrial, commercial and institutional sector of construction, often run two to three years from the time they are signed to the time when the job is actually complete. The common contractual agreement in the industry is the CCDC2 contract, of which copies have been made available to the ministry's officials. These documents make it clear that the costs of new

taxes cannot be passed along to the owner of the project unless specifically stated in the agreement. Many thousands of contracts have been signed for work to be completed in 1990, 1991 and 1992 with no knowledge or ability to pass these costs on. Many still are not accounting for these costs, believing that the government must take into account health costs paid through welfare plans.

Fortunately, Bill 47 makes provision under clause 37(1)(h) to: "provide for rebate of tax in whole or in part in prescribing the terms and conditions under which such rebates shall be made and the method of determining the amount of such rebates."

We request that the regulations be developed under this section to provide for rebates to contractors based upon the labour portion of fixed-price contracts signed before the proclamation date of this bill. We believe this provision in the act acknowledges the potential impact of the act and anticipates rebates will be needed.

It is our understanding that Statistics Canada provides reasonably reliable information which establishes the percentage of labour commonly involved in each trade contract. We strongly urge the government to produce regulations which suitably address this problem.

In conclusion, I strongly urge that the standing committee consider addressing both the issues of fixed-price contracts and the duplication of payments made through multi-employer benefit plans. It is imperative that they be suitably addressed in order to have a fair and equitable transition to the employer health tax.

We would like to thank the members of the committee for considering our concerns. If there is time now, I hope we have the opportunity to further discuss this issue.

**Mr Cousens:** I appreciate the delegation's presentation to us and see a very good friend on there as well, but I will not get into any personal things.

I want to deal with the point here, at the bottom of page 2, "unnecessary labour-management confrontation." I just have not been following some of the incidents that have been going on. Would you be so kind as to elaborate on some of the types of things that are happening that are causing concern to you.

**Mr Vukobrat:** Maybe I can partly answer that question. What we mean by that is that through the collective agreements that we have now signed with trade unions, in 13 different instances in the construction industry, we pay into a trustee fund certain funds that are classified as



union funds. These funds are identified for the purposes of the employees and a great many of them are to pay for OHIP. The OHIP portion of these funds can be very readily identified either by the amount of the moneys that are contributed or in direct reference to OHIP.

When this money is contracted to be paid, it is contracted to be paid for a certain length of time, and that length of time in this province is two years. Our current agreements expire on 30 April, and employers who are bound by the agreement and remit OHIP payments through the trustee funds are obligated to pay these amounts until 30 April.

The unions are, in most instances, and I think it is fair to say in all instances, regarding these funds as their moneys and perhaps viewing them as windfall moneys in view of what is proposed as far as the health tax is concerned. The simple matter is that there are going to be enough problems during this round of negotiations with the climate that we have in the construction industry that we do not need this kind of confrontation. It is beginning very early and it is going to be very serious. We hope it will not result in a strike situation in the industry but the possibility is that it may, unless this government helps us to resolve the problem.

**Ms Bryden:** I heard the painting contractors brief yesterday and you are reinforcing some of the things they said and showing that it extends to all of the construction industry. I think it is really shocking that the government would draft an act such as Bill 47 and bring it in without the slightest reference to the special situation in the construction industry and in their collective bargaining agreements.

That is another reason why I think the whole thing should be postponed at least until after the New Year for further hearings and further amendments to be brought before us to see that this sort of situation will be dealt with.

You suggest either an amendment you have drafted that may solve the situation, but of which we would still like to have perhaps more study by legal authorities—that is another reason for delaying it—but also you suggest that the alternative to an amendment is to rely on that section in the regulations that says the Lieutenant Governor in Council—the government—may arrange for rebates where necessary. But can you count on the government arranging the rebate? Since it is only a permissive clause and the government may or may not do it, is it not better to have it written right into the law? What sort of solution is needed to your particular situation?

1650

**Mr DeIulis:** I think we are dealing with two separate issues here. The first has to do with the double payment issue, which has to do with the collective agreement. I believe the reference that was made to the rebates was directed more towards the fixed-price contracts issue rather than the double payment issue.

**Ms Bryden:** Do they not both need treatment with amendments to ensure that there is not double taxation, that there is an even playing field?

**Mr Vukobrat:** I think it has to be specifically addressed in the bill that there should be a grandfathering situation that takes place on contracts that have been signed prior to proclamation so that rebates are arranged in some fashion. The bill in our opinion, and we agree with you, is sort of permissive but is not specific.

**Ms Bryden:** That is right.

**Mr Vukobrat:** We think some language should be drafted to make it specific for such eventualities.

**Mr Daigeler:** On fixed-price contracts, there is a provision in the bill that precisely permits consideration. I understand that you have been in touch with the Treasurer (Mr R. F. Nixon) and that there are discussions going on as to whether and in what way something might be done where there are in fact such situations as fixed-price contracts.

My question is with regard to the first part. I am not quite clear, even after the explanation given after Mr Cousens which actually answered some of my questions, where the union would want to strike in this situation. I could perhaps see the employers wanting to lock people out, but from what you are saying the unions are possibly benefiting, although I guess they would argue about that. If I am not mistaken, the money you are paying does not go specifically to OHIP. It goes, I guess, into an undefined welfare fund and is perhaps subject to discussions between the two parties as to what the welfare fund actually means. I think that will have to be settled through negotiations. I cannot see why, on the union side, that should so seriously impact negatively on their feelings.

**Mr Vukobrat:** It is quite simple. The OHIP funds can be very readily identified in the contracts, that the employers contribute for that purpose. At this point in time, the unions are already making preparations to divert those funds to other things in their welfare package such as increased contributions towards pensions and the



like. When the time comes to renegotiate the contracts, it is the employers' feeling that the amount of moneys that are included in the contracts for OHIP should be on the table. In other words, "You've got 50 cents to start off with, boys." Unions do not look at it that way. It is a very serious confrontation that is going to take place and that is building up.

**Mr Daigeler:** Would you not say that is precisely part of the negotiation process?

**Mr Vukobrat:** The government has put us in an untenable position. The government has put us in a position whereby we have no recourse but to pay that money. We cannot get the money back. The legislation does not say that. The legislation does not treat the union funds, the trustee funds, as employer contributions in this case, which some of us believe should happen. Therefore, there is a problem.

**The Chair:** I would like to thank you for your presentation today on Bill 47 and for taking the time to come.

Our next presenter is the Canadian Institute of Public Real Estate Companies. Mr Daniel and Mr Bullock, I believe, are the representatives. Welcome. We have set aside 15 minutes for your presentation and would appreciate, for the purposes of electronic Hansard, if you would introduce yourselves and begin whenever you are ready.

#### CANADIAN INSTITUTE OF PUBLIC REAL ESTATE COMPANIES

**Mr Bullock:** My name is Jim Bullock. I am the president and chief executive officer of Cadillac Fairview Corp. I appear before you today as a representative of the Canadian Institute of Public Real Estate Companies, an organization of which I am a director and a member of the executive committee. On my left is Ron Daniel, the executive director of the Canadian Institute of Public Real Estate Companies, CIPREC.

We are here to talk to you today about the contents of Bill 46, An Act to establish a Commercial Concentration Tax. I believe you have before you the CIPREC's brief, which you have not had an opportunity to read as yet. In as much as time is somewhat limited, I am not going to dwell at length on the makeup of the CIPREC membership and its history in participating in other legislative activities. Suffice it to say that within the CIPREC membership is representation of the ownership of buildings that would contribute more than one half of the \$125 million

of estimated revenue from this proposed new tax contained within Bill 46.

When this tax was first tabled in the budget of 17 May, CIPREC made immediate contact with officials in the office of the Treasurer, and held a number of meetings with them. As Chairman Alan Tonks referenced a few minutes ago, there was no consultation prior to the implementation of this tax with the affected property owners, nor was there consultation with the municipal governments involved.

We felt the tax was flawed and had a number of specific problems with it, but I would like to emphasize as well that in our earliest meetings with the minister and his staff, we emphasized that as an industry we recognized that there were major infrastructure expenditures to be financed in the greater Toronto area. We also emphasized that our industry would need to pay its fair share of those costs and that they had to be properly financed on a timely basis for the continued growth and prosperity of the greater Toronto area.

To be fair, the discussions between ourselves and the ministry staff led to a number of changes in the details of the tax. By way of example, initially the tax appeared to encompass free parking areas in suburban shopping centres and other surface parking areas throughout the GTA. That was in turn clarified to provide that the tax had application with respect to parking that was confined to pay parking facilities. The tax also initially was designed to encompass all buildings with an area greater than 200,000 square feet. The tax as it is now drafted provides that the tax is only applicable to the areas of buildings in excess of 200,000 square feet. So there have been changes in the application of the tax between 17 May and today.

Nevertheless, we believe that the tax, even in its present form, is still somewhat unfair and inequitable. Simply put, if there is a rational reason for this tax to be applied on commercial real estate, it should be applied on all commercial real estate, not simply large buildings. As a matter of fact, the tax will be borne by the tenants in the buildings and there is no equality in a tenant of, say, 4,000 square feet in a large office building being confronted with this tax, whereas a large office tenant of, say, 180,000 square feet in a free-standing building totally escapes this tax.

If you look at it from a retailer's standpoint, currently, as the tax is drafted, tenants such as Birks and Creeds in the Manulife Centre on Bloor Street will pay the tax, whereas Holt Renfrew

and European Jewellery across the street will escape the tax. There are many examples of this throughout Metropolitan Toronto. We believe that if the tax is to be applied on commercial space, it should be applied on all commercial space in the GTA. That would not only broaden the base, but would have the opportunity to reduce the per square foot charge.

We continue to have problems with the tax being applied to pay parking facilities. Recognizing that there has been a change, as I mentioned earlier, in how the tax is applied to parking facilities, nevertheless the history of the development of parking facilities in the GTA creates some inequities with the application to pay parking.

By way of example, in the 1970s it was common practice in the city of Toronto for some developers to pay cash in lieu of providing parking in their facilities. As a result, you find situations such as occurs at the corner of Bloor and Yonge where the building on the northeast corner, 2 Bloor Street East, has parking within the complex provided by the developer, whereas the building on the northwest corner of the street, 2 Bloor Street West, a 40-storey office building, has no parking and therefore has no tax. The developer of that building paid cash in lieu of parking to the Parking Authority of Toronto, which built a parking garage on the north side of Cumberland Street. Now the city parking authority is confronted with this tax.

#### 1700

We do not believe the tax should be applied to parking facilities, or if there is to be a tax on parking facilities, there should be some recognition in terms of the differential of income potential on parking. Clearly, a square foot of suburban commuter parking facility located in the outer reaches of the GTA will generate less parking revenue and therefore will have less ability to pay this tax than a square foot in a large commercial parking structure in downtown Toronto. We think the tax on pay parking needs to be rethought and either seriously modified or eliminated.

As it is drafted, Bill 46 provides that the tax is to be applied on the gross building area of commercial buildings. To the best of my knowledge, this will be the only tax to be applied in this manner. Taxes and the records of municipalities with respect to commercial buildings deal with net rental area or net commercial space in a building. As soon as you begin to apply the tax on a gross building area, you incorporate a lot of noncommercial facilities into the tax.

By way of example, stores that back directly on to the parking lot in a single-level suburban shopping centre have doors for fire exit purposes and deliveries but no rear exit corridors, which are required if it is a two-level shopping centre. As a result, there is an inequity in the same size commercial space in two buildings by using gross building area. It is our recommendation that the tax be applied to the net rental area of the building and not the gross building area.

When the change occurred between the tax being on all of the buildings of more than 200,000 square feet and only the incremental space over 200,000 square feet, between May and the current draft of the legislation, another anomaly was created in the treatment of buildings that were part of an overall complex. There is a definition of shared facilities within the act now. Basically, if two buildings are part of the same complex, but are not linked by shared facilities and have separate municipal addresses, they would be taxed separately.

By way of example, if those two buildings were both 400,000 square feet, currently under the legislation each would get a 200,000 square foot exemption, or a total of 400,000 feet. If those same two buildings are joined by a shared facility, shared facilities in this case being defined as a lobby or a restaurant, they would have one 200,000 square foot exemption. Equally, if the buildings are joined below grade, as is quite common in downtown Toronto, but at street level are separate buildings, they each would have a 200,000 square foot exemption. You have complexes such as First Canadian Place being treated completely differently from their neighbouring buildings on the corners of King and Bay.

I want to come back to the first point I made with respect to this being applied to all commercial space and the elimination of the 200,000 square foot exemption. A more broadly based tax at a lower rate would eliminate some of these anomalies that are now being introduced into the current act.

Our final point is a more general one. It relates to two aspects of the tax. First, it is the stated policy of the current provincial government to encourage development in concentrated nodes within the GTA. One of the principal reasons for encouraging this type of development is to be able to afford the transportation infrastructure required to accommodate the growth in the years ahead.

This tax actually works in the opposite direction. It encourages small, spread-out de-



velopment. As long as you have office buildings of less than 200,000 square feet or commercial buildings of less than 200,000 square feet, you totally escape this tax. As soon as you concentrate the development, you are caught up in the tax. I am not talking now just about downtown Toronto; I am talking throughout the region. I think the tax may tend, over time, to work against the aspirations of the government to concentrate development, to make economic opportunities for transportation facilities, be they roads or rapid public transit.

Finally, I have some concern about the overall impact of the tax as it relates to the cost of doing business in the greater Toronto area. We have outlined in our presentation to you a shopping list of recently enacted taxes at the federal, provincial and municipal levels that have either been put in place or are being considered to be put in place. The combined effect of these is to very substantially and dramatically increase the tax load of the commercial businesses within the GTA.

Now I know there are some who would view the discouragement of further commercial development within the GTA as a positive rather than a negative, that it would cause businesses to perhaps locate elsewhere in the province of Ontario, but I do not think there is any assurance that if you discourage commercial development within the GTA it will necessarily relocate elsewhere within Ontario.

Witness the recent example of TransCanada PipeLines announcing it was moving from Toronto to Calgary. There you have a company that is going to spend \$15 million to move from Toronto to Calgary and is justifying it to its shareholders on the basis of the savings it can enjoy over the next few years. Once you cause people to move out of the GTA, particularly with free trade in place today, there is absolutely no assurance that will cause development to occur elsewhere within Ontario, and there could well be a net loss.

Also, we are trying to say in this case that this tax should be viewed in the overall context of what the cost of doing business is within Metropolitan Toronto.

In conclusion, I reiterate that CIPREC and its membership recognizes the need for the infrastructure expenditures that are required within the GTA and recognizes that these have to be financed. We do not believe the current tax in its present form is an equitable distribution of those costs. We think that it needs to be rethought, that it needs to be broader based and that some of the

issues I have raised today need to be specifically addressed in the text of the final legislation.

Thank you for the opportunity to appear. I would be pleased to answer any questions or try to answer any questions you may have.

**Mr Cousins:** I appreciate your presentation, how thorough it is and the sincerity and the research. You have done your homework and it is very helpful to us.

One of the issues you might be able to assist me on has to do with the future of parking in the greater Toronto area. Do you have any sense of how many parking spots there are now in the greater Toronto area, what has happened in the last few years and the future impact this will have on parking in the Toronto area? By virtue of the fact that we are already short on available parking spaces, do you think we will have any long-term negative impact, and if so, how much?

**Mr Bullock:** It is going to make it very difficult to justify the cost of commercial parking facilities within the GTA when you add this tax. The tax works out to about \$35 per parking space per month if you work on an average of 350 to 400 square feet per parking space in a commercial parking facility. I think it will work against the provision of parking. I do not have at hand an inventory for parking spaces within the GTA. I am sure that information is available and that we could provide it, or others perhaps could.

**Mr Cousins:** All right.

**Mr Reycraft:** Thank you, Mr Bullock, for the presentation. You commented early in your brief about the lack of consultation before the announcement and others have done that this afternoon. I think you understand the traditions that surround budgets and budget secrecy, and therefore can understand why prior consultation with those impacted by a tax is virtually impossible with respect to budget announcements. There has been ample consultation since the time of the budget announcement and I really think you gave evidence of that yourself this afternoon when you alluded to the changes that have been made between the budget announcement and the actual drafting of the bill.

You commented in your presentation about the complexity of the system. The information I have at this point from Ministry of Revenue officials, and Mr Daigeler can correct me if I am wrong, is that this tax is not, as it is presently structured, a difficult one to administer for the Ministry of Revenue and is not going to require significant expansion of the bureaucracy.

I look at your recommendation that we expand the base of the tax and apply it to all commercial



establishments, combined with the one where you suggest that we should only tax leasable area and not gross space, and it seems to me that the juxtaposition of those two recommendations creates a tax that would be extremely complex, difficult and expensive to administer.

**1710**

**Mr Bullock:** I acknowledge that there certainly has been consultation since the budget was tabled in May; I think I did that in my presentation. I do not believe the tax would be complex to administer. In fact, the municipal tax rolls have the areas of all of the commercial space in the various municipalities within the greater Toronto area, so it is a readily identifiable area against which the tax would be applied.

It may well be the result, if the base is broadened to include all commercial space and not done on a rentable or occupied area, that there will be a reduction in the per-square-foot charge that would be levied, naturally, but it certainly would not be as dramatic if it were left on a gross building area. There is very little rationale from our standpoint as to why, of two identical businesses—and through whatever accident in history one ends up in a larger building and the other ends up in a smaller—doing the same margin, with the same number of employees, same demands on the infrastructure, one is paying the tax and the other will not.

**Ms Bryden:** You certainly make, in my opinion, a very strong case against this particular tax. It is one of the new untried taxes that we have never had before here, and I think there has not been enough consultation or enough study of its impact on various things.

I think the conclusion of your complaints is that there still is no level playing field for different real estate operations in the area. It is still unfair and inequitable. It goes in for geographic discrimination affecting just the greater Toronto area, which is a new tax principle that has not been applied very much in this province. I think it should be questioned whether people in certain areas should pay different taxes, but also the fact that it encourages spread-out development in a city that is already suffering from too much spread-out development, too much exurbia, too much necessity for commuting and too much inefficient use of land space.

I wonder if this kind of tax should be criticized mainly because it not only has all those disadvantages but also because its exemptions can be very capricious and unfair. For instance, already racetracks are exempt. Did you know that?

**Mr Bullock:** Yes, I did.

**Ms Bryden:** Have you seen any justification as to why racetracks, which are a commercial operation, should be exempt? Pipelines are exempt; maybe this was after TransCanada PipeLines moved out because of taxes. The government can still make exemptions under its regulations for any business. Therefore, that is another very bad feature of the tax. Would it not be better to go back to the drawing board and get a tax that is neutral as between businesses, that is not geographically discriminating and that will encourage more efficient land use rather than less?

**Mr Bullock:** Well, the tax, as it presently is structured, is a patchwork quilt of exemptions.

**Ms Bryden:** That is right.

**Mr Bullock:** When some of the obvious flaws of the tax were pointed out after the tabling of the budget in May, there was an attempt on the part of the ministry to deal with specific situations. With each anomaly they attempt to correct, they create another one.

You mentioned racetracks. There is what I call the Wonderland exemption, and that is the seasonal parking exemption. In other words, when they said, "It's only going to be pay parking and we'll exclude free parking," they basically put Canada's Wonderland out of business because they have that large tract of parking areas up there and to charge \$35 tax per parking space on that parking lot would have made it wholly uneconomic. So now we have what is called a seasonal parking exemption which allows Canada's Wonderland to escape the tax.

As an individual, I have some difficulty in understanding why Canada's Wonderland pay parking lot does not pay some tax if there is going to be a tax on parking and the municipal commuter parking lots that are used year-round to ride the Toronto Transit Commission or the GO train are going to be taxed under this tax. I think that is a terrible inconsistency in the tax and it is the whole history of how pay parking has developed in so many different directions that I think results in this patchwork quilt when you try to put a per-square-foot charge on parking spaces.

**Ms Bryden:** Do you see the reason for the racetrack exemption?

**Mr Bullock:** As an owner of standardbred horses, sure I see the reason. Whose ox is being gored here?

I have some difficulty. Again, I think if there is to be a tax on parking because of the concept of beneficiary taxation for user pay, if that is the concept behind this—maybe it is and maybe it is not; it will take the ministry to define that—then I think the tax on parking should be in some way tied to the revenue generated by the parking, not on the square footage of the parking lot.

**The Chair:** Mr Bullock, thank you very much and to your institute for your presentation and for being here today. We appreciate it.

Our final presenter of the day is the mayor of the city of Toronto, Art Eggleton. We would like to welcome you, your worship, to the committee and ask you to come forward at this time. We have normally been working in about 15-minute time slots, but the pressure appears to be off. I do not know what your schedule is, but we will work somewhere around there.

**Mayor Eggleton:** I will not be that long.

#### CITY OF TORONTO

**Mayor Eggleton:** I have with me Councillor Barbara Hall, who is the budget chief for the city, and Dr Peter Tomlinson of our economic development division at city hall.

We come—this will not surprise you—in unanimous and total opposition to the proposed new tax. The simple fact is that Ontario municipalities have limited fiscal autonomy now and this proposed tax jeopardizes what little autonomy we have left. As you know, the province has a long list of taxes and fees at its disposal, a list that has been lengthened even further with Mr Nixon's budget this year. His maxim seems to be the more different taxes you have, the lower the rate of any given tax. I think he has been quite creative in that regard.

But when the province moves into the property tax area it is encroaching into the one major tax field that municipalities have, and any encroachment in that field will directly reduce our ability to meet revenue requirements and to provide services. Provincial cutbacks, particularly for schools, which we are experiencing, and have progressively experienced over the last few years, have forced a shift to property tax now to totally finance our public education system. Now it appears that when we look to property taxes in the future we will find the province has been there first. This, to me, is an unacceptable double bind for municipalities.

I know that Mr Mancini is saying that the commercial concentration tax is not a property tax. Well, perhaps a spade is not a spade either. This new tax is an annual charge against property

owners on their lands and buildings, administered by the assessment branch of the Ministry of Revenue and with appeals to the Assessment Review Board. With due respect to Mr Mancini, I have been in municipal government now for 20 years and mayor of Toronto for nine and I know a property tax when I see one. I say today that the commercial concentration tax is a property tax and the province should not be collecting it.

There is just one commendable aspect of the new tax I should mention—not commendable enough to justify it, but commendable nevertheless. In doing this tax, the province has rejected the market value approach base for it and is choosing instead the unit approach to assessment. In doing this, perhaps it amounts to an endorsement of Toronto city council's call for the square foot unit approach as a stable alternative to the market value assessment system that was passed in some awful modification by Metro council.

#### 1720

When we asked the province for help with the study of the unit system, when we asked the ministry for this, we were rebuffed. Now it seems that much of that study has actually been done so that this tax could be collected. I have indicated why there should not be a provincial property tax. I urge the province to withdraw this new tax proposal. Indeed, I am only one of many who are urging the province to do so.

However, if this plea and many others you have heard are not going to be listened to, then at least some aspects of the tax should be modified to reduce its damaging impacts. The president of our parking authority, who is still here, Reg Lewis, has spoken to you already about the adverse impacts of the tax on municipal parking operations. He has outlined the obstacle the tax would pose to the ability of the Toronto parking authority to fulfil its mandate and serve the people of Toronto.

The application of the tax to these operations appears particularly unjustified when we consider that other parking spaces are exempted, particularly those provided by commercial businesses for their employees and not accessible to the public. This discrepancy is particularly galling when you consider that it will actually serve to worsen congestion, not relieve it, as the stated aim would have it. Those employee parking spaces are used by commuters who drive to work and burden the road system, for the most part, at the peak times. Municipal lots, on the other hand, serve a high proportion of shoppers



and tourists travelling at off-peak times. That is the way their fee structure is geared.

Mr Lewis explained the rates are structured to encourage short-term stays and discourage the nine-to-five drivers. The total effect is to help reduce the strains on the capacity of our road system. This is a case in point of the tax working at cross-purposes with its stated goal. We are simply going to have, with the high prices we are going to have to charge, more people parking illegally and making it worse.

Chairman Tonks, who was here earlier, has referred to the inequity of obliging Metro taxpayers to pay the lion's share of a tax which pays primarily for improvements serving areas outside of Metropolitan Toronto, Highway 407 being an example. Well, if Metro is paying the lion's share, we in the city of Toronto are obliged to roar even louder, for we will pay the lion's share of the lion's share. In fact, Mr Mancini has projected our share at 59 per cent; \$68 million per year out of a total of \$115 per year will come from Toronto, particularly downtown Toronto.

The budget speech announcing the new tax mentions only one transportation improvement which could be seen as benefiting primarily the city—the Harbourfront light rapid transit. Since that project is largely complete and since the province has already committed its support, it is clear that it is stretching things somewhat to claim that the Harbourfront LRT to be among the fruits of the new tax.

So we are left with a tax charged primarily at the city of Toronto, for which the city of Toronto receives few, if any, benefits, and we have certainly got a lot of traffic and transit congestion downtown. I believe we have got to help everybody else share the wealth as well, but there really is very little coming back to deal with our problems.

I believe you should also take a serious look at the level that is being charged under the proposed tax. Toronto already has a commercial property tax among the highest in North America. The additional \$1 per square foot will make it the highest, according to the Building Owners and Managers Association. The tax, the total amount of \$7 per square foot compares with about \$6 in New York and Chicago, the next highest. Again, we have a move at cross-purposes with the provincial government's stated aim. The province is joining us in seeking to attract business, but the level of property tax will be undercutting those efforts. The cost of living and doing business in Toronto is already attracting negative attention. Recently, TransCanada Pipelines cited

it as a reason for its decision to move some 700 jobs to Alberta, and this is the response we get, to push it even further out of reach?

The final concern I would like to mention involves the impact of the new tax on industry, a sector of our economy we have been working hard to support. Although industry is supposedly exempt, the definition of industry in Bill 46 limits the exemption to manufacturing, or appears to.

In our zoning in the city of Toronto, we use a broader definition, recognizing that nonmanufacturing activities such as film and video production—and we are quite big in that—and data processing are similar to manufacturing in terms of the transportation demands. I believe the definition of "industry" in Bill 46 should be broadened to reflect that reality.

Getting back to where I started, rather than trying to patch up this tax proposal, let me urge the province once again to withdraw it altogether. That action would lay the foundation for a more co-operative approach upon which we could join together in addressing our real transportation needs.

**The Chair:** Councillor Hall, do you have anything to add?

**Councillor Hall:** I think the mayor has covered all the points. I would like to emphasize just one. As budget chief and being currently in the budget process, I am concerned about the way this affects our ability to meet our revenue requirements, some of which are in areas that are provincial jurisdiction. As the court of last resort in some sense, as the most local form of government, we have picked up various costs in the day care field, social services, housing, some areas like those. We have been prepared to do that, although reluctantly, and we are looking at how we can enhance our revenue in order to do this. I am concerned that a tax such as this seriously affects our ability to do that in a responsible manner.

**Mr Daigeler:** Thank you, Mayor, for taking the time to appear before us. Obviously, we appreciate that, given your heavy workload.

Nevertheless, when I hear the various cities and municipalities appearing before us, I get the impression that the Treasurer, with the 1989 budget, is doing it "to" the cities and municipalities in the greater Toronto area, whereas I think—and I think the Treasurer feels very strongly—he is doing something very significant "for" you through these capital improvements, the road infrastructure improvements, which are very significant for the future wellbeing of the



city of Toronto as well as beyond the confines of the city, the relative vicinity. I am from the Ottawa area, so to me this is still relatively close to Toronto.

The chairman of Metropolitan Toronto made the point that he feels the Treasurer's announcements are of little benefit to him. I guess you are not sharing that perception. At least, you seem to recognize that, yes, there are some positive aspects in the Treasurer's announcement of road infrastructure for the city of Toronto. I quoted earlier—I do not think you were here—the Yonge subway capacity improvements that certainly will benefit your city. There are the Union Station improvements that benefit your city as well.

Do you agree with me that while there is some obviously taxation-negative news, there is some very good news in terms of the Treasurer's infrastructure announcements?

**Mayor Eggleton:** Let me approach it this way. There was in the announcement at the time of the budget a whole host of projects that were listed. Not all of those will be done in the next few years. The price tag for all of them is much too high. I am not clear which ones are going to be done and which ones are not going to be done. Yes, the Yonge Street improvements are on the list, the Union Station improvements are on the list. I do not know where they fit into the hopper as to when they would be done. They need to be done now. Considering that the bulk of this money is coming from the area that is served by those projects, I would think they should get a very high priority.

I agree that the province needs to do more in terms of the road and transit infrastructure, but the province should do it from its own tax sources, not from ours. Property taxation, this kind of taxation, is the only one that municipalities have left. I think it is a question of the province having to rework its priorities to make sure that the road and transit infrastructure have priorities in terms of its own tax sources.

1730

**Mr Cousens:** I appreciate the fact that the mayor has come with his budget chief and shared his concerns with us openly.

I do not know what the breaking point is or what you are going to do when you reach that point. The Hotel Association of Metropolitan Toronto showed how we are reaching probably the highest level of any North American major city. With this tax, the cost per room is moving us into a category that is about \$500 higher than the

next city, which is Chicago, and away ahead of others.

I would like your comment on whether you think we are reaching the breaking point when Toronto could have the balloon burst on itself because of taxation, gridlock and the problems that are being pushed upon you, which you touched upon lightly, areas where you are having to carry far more of the load. Who is really going to be responsible when it gets to the point where the city ceases to be attractive to people?

**Mayor Eggleton:** The amount of money that is being put into transportation infrastructure is not nearly enough to solve the problem in the downtown area, yet that is where most of the money is coming from. The additional tax—and this is the whole question, as I said in my opening remarks—is working at cross purposes. It works at cross purposes because it is adding an extra burden on to the cost of doing business downtown, which will make our office space the highest, the priciest, in North America in terms of the tax load. That is the kind of thing that can put a damper on the economic engine, which so important to the future economic health of the city and the province.

I think we have to be very careful about both that and the impact it would have on the tourist industry, which is one of our biggest industries and important for a lot of jobs.

**Mr Cousens:** Do you think we are getting closer to that breaking point?

**Mayor Eggleton:** Oh, absolutely. Absolutely.

**Councillor Hall:** To add to that, I think it is a very difficult position and we are very aware of that. We are sensitive to where something can be applied and where it cannot, and what the impact of any application will be. Clearly, we have to be very cautious in seeking greater revenue within the city. I believe we are. I think this just makes our job that much harder and it is not being applied, taking into account the kind of realities and dangers that you have spoken about.

**Ms Bryden:** I certainly agree with the mayor's assessment that the so-called transportation grant or assistance from the province has been mainly smoke and mirrors. Some of the things that were announced two or three years ago will not be completed for the next five years. Yet there are great transportation needs to end the gridlock and to overcome the congestion.

The point seems to be that we are not getting from the province an approach that would look at its real needs and the real tax sources of both the

province and the municipality. The province seems to be taking the attitude that all tax fields belong to it except any that the federal government have, and that it can tax as it pleases and the municipalities will just have to adjust to that.

I certainly think the property tax should be reserved for the municipalities because they have so few other sources. I think the province has to begin to realize that too. At the moment it is sort of this tax grab and that tax grab and no guarantees that any of that money will go to the roads in Toronto or to housing in Toronto or for the infrastructure of Toronto. That is the kind of tax system I think we have got to start pointing out, that the province is a Big Brother taxpayer who pays no attention to the other jurisdictions.

In last week's Toronto Star, there was a headline, "Firms' \$27 Billion in Profits Went Untaxed Last Year." It refers to the corporation tax field and there being no tax paid by those corporations. Surely the province has to start to look at other sources of taxation and this sort of taxation should be thrown out because it is very unfair, it is geographically discriminatory and it will add to the traffic congestion because it will not solve the problems in this area.

Do you think we can persuade the province that it should sit down with the municipalities and work out a fair sharing of tax sources so that we do have a reasonably fair tax system?

**Mayor Eggleton:** Absolutely. That is exactly what we have to do. We cannot keep loading everything on to the property tax system. There should be more provincial dollars coming from the progressive taxes, which the province has under its control, going into roads and transit infrastructure. It is in all our interests to do that. It is important for our economy to do that. If it comes to the needs in the greater Toronto area being met, yes, I think we have got to sit down—because it is a shared responsibility, the province and the city and the regional governments as well in the GTA—and work out a plan and how we are going to finance all of these needs and work out the priorities. Instead, what we have is that the priorities are going to be determined at this level that, in fact, has now got its hand on a tax in a field that is the traditional municipal area of taxation.

**The Chair:** Your worship, thank you very much, and Councillor Hall as well, for appearing today. We appreciate your taking the time to come. Thanks for your comments.

That concludes the hearings. I think the clerk would like some direction from the committee on our prebudget hearing process in January. If we

have got a couple of minutes before we go upstairs, maybe we could discuss that. There are some suggested dates. Do you have those dates, Madam Clerk?

**Clerk of the Committee:** I could give an estimation of time that is required for prebudget in January. The Treasurer (Mr R. F. Nixon) has indicated his availability for a few dates in January, including 17 January. About 30 groups have requested to come in to do oral presentations on prebudget. That should take three to four days.

We will require an afternoon for the committee to give directions to the researcher in terms of writing the report, some time for her to write the report, and then time for the committee to come back for two or three days to revise the report. We could get the report in to the Treasurer early February so it would have an impact on the budget.

**The Chair:** Do you have actual dates?

**Clerk of the Committee:** It is up to the committee.

**The Chair:** You had some that you were suggesting, though.

**Mr Reycraft:** The clerk of the committee has advised me of the dates when the Treasurer would be available, and I will put this forward in the form of a motion for discussion and amendment and, hopefully, adoption by the committee.

I guess this has to be in the form of a request to the whips.

**Mr Cousens:** Could it be in a notice of motion?

**Ms Bryden:** Should our steering committee not deal with this first? Our regular members are not here.

**The Chair:** We have to get a request to the House leaders. That is all, basically.

**Mr Reycraft:** Ms Bryden makes a very good point because under the new standing orders the business of the committee is supposed to be established by the steering committee. Perhaps the steering committee could meet on the Monday before the committee meeting and bring forward a resolution that we could then deal with and get to the whips and House leaders before their meeting on Thursday.

**The Chair:** Okay. We will try to set that up.

**Mr Cousens:** My experience with these is that the decision will not get made at the whips' and House leaders' meeting on Wednesday anyway.

It is more likely to be made at a meeting of the whips at some subsequent time.

a meeting of the steering committee and come back with a recommendation.

**The Chair:** Okay. We will set that up and get

The committee adjourned at 1740.



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## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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Anderson, Anne, Research Officer, Legislative Research Service

**Witnesses:**

**From the Union of Ontario Indians:**

Hare, Joseph, Deputy Grand Council Chief, Anishinabek Watts, Bob, Executive Director

**From the Federation of Temporary Help Services:**

Dowling, Dorothy, Director Turner, Ted, Past President Manning, Lynn, President

**From Tourism Ontario Inc:**

Michener, Roland, President and Chief Executive Officer Robinson, Edward, Vice-Chairman

**From the Ontario Chamber of Commerce:**

Corcoran, Tom, Vice-President, Policy Eastman, Don, Chairman, Economic Policy Committee

**Fm the Hotel Employees, Restaurant Employees Union:**

Belanger, Jean-Guy, President-Administrator

**From the Canadian Federation of Independent Business:**

Ganong, Linda R., Director, Provincial Affairs

**From the Personnel Association of Ontario:**

Nixon, Richard J., Chairman, Government Affairs Committee

**From the Hotel Association of Metropolitan Toronto:**

Robinson, Edward, Executive Vice-President

**From the Parking Authority of Toronto:**

Lewis, Reg W., President

**From the Municipality of Metropolitan Toronto:**

Tonks, Alan, Chairman

**From the Council of Ontario Construction Associations:**

Frame, David, Executive Vice-President

DeIulis, Alex, Chairman

Vukobrat, Mike, Chairman, Construction Employers Co-ordinating Council of Ontario

**From the Canadian Institute of Public Real Estate Companies:**

Bullock, Jim, Director

**From the City of Toronto:**

Eggleton, Art, Mayor

Hall, Barbara, Councillor







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# Hansard

## Official Report of Debates

### Legislative Assembly of Ontario

#### **Standing Committee on Finance and Economic Affairs**

Commercial Concentration Tax Act, 1989

Employer Health Tax Act, 1989

#### **Second Session, 34th Parliament**

Monday 27 November 1989

Speaker: Honourable Hugh A. Edighoffer

Clerk of the House: Claude L. DesRosiers

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Contents of the proceedings reported in this issue of Hansard appears at the back, together with a list of the members of the committee and other members and witnesses taking part.

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

**Monday 27 November 1989**

The committee met at 1532 in committee room 2.

### COMMERCIAL CONCENTRATION TAX ACT, 1989 (continued)

### EMPLOYER HEALTH TAX ACT, 1989 (continued)

Consideration of Bill 46, An Act to establish a Commercial Concentration Tax, and Bill 47, An Act to impose a Tax on Employers for the purpose of providing for Health Care and to revise the requirements respecting the payment of Premiums under the Health Insurance Act.

**The Chair:** I call the meeting to order. We meet this afternoon to hear depositions on Bill 46 and Bill 47. We have a number of depositions. Generally we are trying to stay within the schedule of 15 minutes per deposition, both for presentations and for questions, and in order to do that we have limited the questions to one per caucus.

**Mr Reycraft:** Can I have the New Democrats' question?

**The Chair:** No, I will probably keep that one. We will attempt to stay within those bounds, but we have a little more flexibility today than we had other days as the agenda is not quite as crowded and the TV cameras are not on, so likely there will not be as many questions.

**Mr Daigeler:** And the chairman is in a better mood.

**The Chair:** And the chairman is in a better mood, absolutely.

Could I ask our first presenter, Karl Walsh from the London Life Insurance Co, to come forward. We have your written submission and we would like you to have a seat and make your presentation to the committee.

### LONDON LIFE INSURANCE CO

**Mr Walsh:** Mr Chairman and committee members, good afternoon. My name is Karl Walsh and I am with the London Life Insurance Co. My title there is director of taxation. As the largest provider of life insurance to individual Canadians in Ontario and across the country, London Life has been an active participant in the Ontario life insurance industry since 1874. In

Ontario, London's Life market share for individual insurance products is approximately 20 per cent, while our nearest competitor is about 14 per cent. We have a very significant share in the interests and health of Ontarians.

London Life is also a major investor in the Ontario economy with more than \$4.1 billion in assets across the province. Our total provincial field staff exceeds 1,750 individuals, supported by 420 regional office members and approximately 1,900 head office staff individuals in London, Ontario.

I am skipping through my submission and starting with the summary. I would like to restrict my comments to the nature of a proposed tax base. We believe there is a deficiency in the act as it is proposed such that a significant number of self-employed individuals and possibly shareholders in certain businesses may be excluded from the tax base or, worse yet, can easily organize themselves to be excluded from the tax base.

We propose that the tax base be broadened to include the net incomes of self-employed individuals with a concomitant decrease in the overall tax rate. This would ensure that the costs of the health care system are more equitably shared by the people of Ontario.

In the 17 May 1989 Ontario budget statement, it was noted that the funding for health care has in the past been shared by people and business. Therefore, the new employer health levy was introduced to "ensure that all employers contribute a share of the financing of health care." We support this proposal. The rate of personal income tax was also increased by one percentage point in order to maintain the balance in the funding of the health care system.

Therefore, the funding provided by business is through the proposed employer health tax and the funding provided by people is through the increase in the rate of personal income tax. In our view, the taxation of employers as the sole representative of the business sector leads to problems and inequities.

With the committee's indulgence, I would like to skip through the definitions that I have excerpted, but with particular notice for the record, we have defined "employer," "employee," and "remuneration."



After reviewing these definitions, it can be concluded that—and I am skipping to the area called “Concerns”—the funding from the business sector is therefore entirely from a tax on employers based on remuneration paid to employees in Ontario. It is inequitable that many amounts are not included in the tax base. Some examples that came to mind are:

1. The amounts paid by companies to individuals who are considered to be self-employed under the Income Tax Act are excluded, and this would include some agents, for example, of a life insurance company or a real estate company.

2. The income generated by doctors, lawyers, consultants and the self-employed.

3. The income earned by shareholders who pay themselves a dividend rather than a salary, although I gather from talking in the hall, one of my following speakers will contest that point.

Therefore, employers with employees are required to pay what I think is a disproportionately higher rate of tax on a smaller base to compensate for the health care costs of the self-employed. Even worse, this situation may be aggravated as many businesses reorganize their resources to avoid the tax, and as a tax planner, I feel obligated to pursue that if the law is not changed.

The recommendations from London Life include:

In order to correct the inequity, it would appear appropriate to include a self-assessment tax on the self-employed and lower the rate paid by employers on the Ontario remuneration paid to employees.

This self-assessment tax could be very easily implemented and administered if it were structured similarly to the Canada pension plan contributions payable on self-employed net income, and you will refer to the federal tax return to see how that is picked up.

The individuals would be required to submit an applicable portion of their self-employed earnings as a payment of the health levy.

The tax could be remitted as part of the instalments now required in respect to the income tax and Canada pension plan liabilities.

By including the net income of the self-employed in the tax base with a concomitant decrease in the tax rate, the business community would more equitably share in the funding of our health care system.

That concludes my comments.

**The Chair:** Thank you very much, Mr Walsh. We have a question from Mr Reycraft.

**Mr Reycraft:** Thank you, Mr Walsh, for your presentation this afternoon. The example you used in your recommendation is that of Canada pension plan contributions. In trying to apply that to the employer health tax, the example breaks down when you consider the fact that the Canada pension plan premium remittances are all submitted to the federal government. EHT, of course, is a provincial tax. If we were to try to implement that, it would require some negotiation with the federal government.

**Mr Walsh:** True.

**Mr Reycraft:** I should say that we are in Treasury reviewing the matter of self-employed and hope to complete that review at some point in the not-too-distant future. My understanding is that in Quebec they do not tax self-employed, they do tax employers, and that has been the situation since the employer health tax was introduced there some 15 years ago.

**Mr Walsh:** I believe so.

**Mr Reycraft:** Are you familiar with that situation and are you knowledgeable about why they have not moved to application of the tax to self-employed?

**Mr Walsh:** No, I am not. I have not studied that situation.

**1540**

**Ms Bryden:** Thank you for bringing your brief to us with your outline of some problems. We too in this party have considerable problems with this new tax because it has an unequal incidence on employers, particularly those with labour-intensive companies and particularly small business that may find it more difficult to pass it on to other people and big employers.

But really, what you are saying in your recommendations—am I correct?—is that the loopholes that are in the income tax for evading various kinds of payroll taxes, pension fund contributions or others, enable companies to reorganize their affairs so that in effect they have no payroll. Is that what you are saying and, if so, is it not better to close those loopholes and make sure that any tax that is imposed is based on ability to pay rather than on this capricious basis of employer's payroll?

**Mr Walsh:** I agree in part that there are, as you say, loopholes, but I think there was an underlying intention to have a simple base. The Treasurer (Mr R. F. Nixon) specifically referred to the problems that he had in administering the previous system where there were many individuals and companies involved in lots of administrative process.

This is a very simple system, but I agree that there are ways to organize one's affairs to minimize the tax, and I think that London Life and any company that would have a large sales commission paid to its sales force would have this opportunity. It is unusual for me to be here asking to be taxed in a more fair manner when I think we could probably say nothing and escape taxation. But we just felt that it was a point of order in the way the tax was created.

**Ms Bryden:** Well, we are certainly working for a fairer tax system, which we may agree on, and I appreciate your bringing forward your proposals.

**Mr McCague:** I thank you for the points that you have raised for the committee, but I am a policyholder in London Life and I am a little concerned about the fact that they call you the director of taxation. Am I paying taxes to you?

**Mr Walsh:** You are paying my salary.

**The Chair:** Would you two like to get to know each on a personal basis?

**Mr McCague:** No. I do not want to know him because I do not like paying taxes.

**The Chair:** Do you have a question, Mr McCague?

**Mr McCague:** No.

**The Chair:** Thank you. Mr Daigeler.

**Mr Daigeler:** This puts me in even more of a conflict of interest. I think I have a mortgage with them.

I guess you answered already my first question as to why you chose to appear before the committee on this particular subject, and I certainly appreciate your explanation and your interest in good public policy. I think, without doubt, you have identified an issue that is there. However, neither Manitoba nor Quebec, which have the enforced health tax, do tax the self-employed, and there are apparently some very great difficulties in trying to define what legitimate business expenses are and what one can actually count as a salary.

You refer here to a self-assessment tax. What do you mean by that? Can you explain that a little bit? On what basis would we judge what a person can draw?

**Mr Walsh:** The analogy is to the Canada pension plan system. If you refer to the federal tax return, there is a self-assessment block on page 3, I believe. You start with your net income for federal tax purposes and then you work down from there. One felt that would be a good start, only on a sort of Ontarioized basis; just add

perhaps an Ontario column to that so that the net income could be split between the two. It would definitely require a change in the tax form and it would definitely require some additional administration between the Ontario government and the federal government, but it would be the same basis of accounting that is used for the Canada pension plan net income figure.

**The Chair:** Mr Reycraft, do you have a small redress you wanted to point to? We do have a minute or so.

**Mr Reycraft:** Thank you, Mr Chairman, I do. Mr Walsh, do you have any sense of how many people we are talking about when we identify the self-employed?

**Mr Walsh:** Yes. Perhaps in rebuttal to Mr Daigeler, I think the reason we are here is that we have so many Ontario employees. Manitoba and Quebec are less significant to us in terms of the tax base. My figures that I have here show that our total Canadian workforce, agents, branch managers, head office staff, is approximately 5,400, and 4,050 are located in Ontario, which is 75 per cent of our workforce.

**The Chair:** Thanks very much for that and thank you for taking the time to come and making your views known to the committee. We appreciate it.

**Mr Walsh:** Thank you very much.

**The Chair:** Our next presenter is from Citipark, Walter Kordiuk, president. Mr Kordiuk, welcome. I will ask you to take a seat and make your presentation to the committee. We have set aside 15 minutes. I understand you want to talk to us on Bill 46.

**Mr Kordiuk:** Yes, that is correct.

**The Chair:** Please go ahead.

### CITIPARK

**Mr Kordiuk:** My name is Walter Kordiuk. I am the president of Citipark, a private company providing parking management services for a variety of clients who operate office buildings, shopping centres, hotels, medical centres, hospitals and special event facilities such as the SkyDome.

Our operations in Metropolitan Toronto are represented by 70 parking facilities, which total approximately 28,000 parking spaces. Since more than half of the parking spaces are contained in parking structures, with the remainder being surface lots, a conservative estimate of 350 square feet per vehicle parking space works out to a total of 9.8 million square feet, which at a tax rate of \$1 per square foot, which is the



proposed commercial concentration tax, would yield \$9.8 million in provincial taxes in 1990. This amount will be reduced by way of some exclusions from the tax base which I will deal with later.

This commercial concentration tax represents a significant cost to us and to our clients which, if we attempt to pass on to our customers, creates a situation of serious inequity. Since parking demand is elastic and a function of parking rates, it may well be that this tax cannot be added to the parking rates while at the same time maintaining satisfactory occupancy levels of the parking facilities.

For example, our conservative base of 350 square feet per vehicle requires a rate increase of approximately \$30 per month per vehicle if we and our clients are to recover the costs of the commercial concentration tax. In the central business core of Toronto, this increase would represent an increase of 10 per cent, while in the outer regions a \$30 increase would be equivalent to an increase of 50 to 100 per cent. Therefore, while the centre of Toronto, with the higher concentration, is penalized by way of this proposed tax, the outer areas with the lower concentration densities are devastated. This, to our way of thinking, is contrary to our understanding of the logic utilized in imposing the tax in the first place.

Our communication with the assessment offices and provincial offices has left us with the understanding that certain parking uses will be excluded from the tax base, such as employee-tenant paid parking. However, the application of this exclusion by the assessment offices does not appear to be consistent, and requires better definition.

For example, employee-tenant paid parking that is housed in an area where the ownership of that area is similar to the ownership of the building housing the employee-tenant, in such instance this parking area would be excluded from the tax base. However, if the ownership of the adjacent parking area is not similar to that of the building housing the employee-tenant parkers, then in this instance the parking area would not be excluded from the tax base. This creates a serious inequity, particularly in light of the fact that the city zoning requirements demand the provision of parking spaces for a variety of uses, which parking spaces may indeed be located off premises.

We have one instance where a parking structure was built by a major developer to satisfy the parking requirements of employee-tenants of

an adjoining office building, which incidentally the same developer built. This parking structure was subsequently sold with a provision that the new owner continue to provide parking for the employee-tenants of the adjoining office building.

Our communication with the Ministry of Revenue assessment program has concluded that as Bill 46 stands today the parking area housing the employee-tenant parkers would have been excluded from the tax base until such time as the sale of the parking structure, following which the area occupied by these same employee-tenant parkers would now be taxed under the provisions of this bill.

Another situation of tenant parking applies in the case of parking facilities serving the needs of a hotel. A guest registered with a bedroom in effect is a tenant of the hotel during his or her stay, and as such the parking area serving the guests should not be included in the tax base. However, this is not clear in Bill 46, nor by way of any subsequent communication.

For example, the Ministry of Revenue concluded that if the parking charges were paid directly to the hotel, then the area serving the parking requirements of the hotel guest would be excluded from the tax base. However, if the parking charges were collected by the parking cashier, then the area would not be excluded from the tax base.

#### 1550

We have been advised by way of the Canadian Parking Association that parking facilities operated by hospitals shall be excluded from the tax. However, if these same parking facilities are managed by a commercial parking operator, then the facilities shall not be excluded from the tax.

I would like to thank the members of the standing committee on finance and economic affairs for offering me the time to voice our company's objections and to seek your support in amending the commercial concentration tax by way of the following:

1. Reduce the amount of the levy in the regions outside of the central business district of Toronto so that the application of the tax recognizes the differences in parking rates and as a result is determined on a more equitable basis.
2. Continue to exclude employee-tenant parking from the tax base. However, broaden the definition of employee-tenant parking to include employee-tenant parking from adjacent buildings that is on a monthly contractual basis.
3. Exclude the parking areas dedicated to the parking requirements of registered hotel guests from the tax base.



4. Exclude parking facilities serving hospitals from the commercial concentration tax whether the management of these facilities is in-house or by way of a private operator.

**The Chair:** Are there questions?

**Ms Bryden:** I appreciate you bringing before us some of the enigmas in this bill because it is very difficult to understand exactly to whom it applies. I think that indicates that for a brand-new tax attempting to raise money from parking lot operators, the drafters did not exactly know what they were doing. They were just looking at a potential revenue source to make up, presumably, some of the other infrastructure costs in the Toronto area.

Our party feels that this is the wrong kind of tax to use for covering infrastructure improvements, that provincial transportation funds plus municipal funds are what should be dedicated to that. Your proposals for making the tax fairer would bring some more equity to it, but in effect it would—I would like to ask you, do you think it will be a tax that will gravely affect economic growth if it goes in as proposed?

It will raise parking lot fees in the central business district. It will raise parking lot fees on commuter parking lots run by the TTC. It will be very inequitable in its application to other parking lot and parking garage facilities. Is it desirable to continue this tax or should we perhaps tell them to go and find another source of revenue more closely related to the object of provincial and municipal development?

**Mr Kordiuk:** To answer the first part of your question, that is, would there be any serious effects on the economy itself in terms of a higher parking rate, our experience over time has definitely proved to us that the parking demand is affected by the parking rates. Free invites everybody; \$100 a day keeps it empty; somewhere in between is a tariff that allows one to have reasonable occupancy of the structure.

We have situations that are quite common to our business with shopping centre owners, who as you have probably read are having a bit of a difficult time this year and are not that optimistic about this Christmas season. The ones that are located in urban areas in particular feel they suffer from the fact that there are parking tariffs applied in their instance, where in the suburban areas the parking is free. That is of concern to them all the time. Quite often you will find that the rates at the shopping centres are very competitive for the area in an attempt to increase the parking demand.

**Mr Daigeler:** I just wonder whether I could call upon the assistant deputy minister to speak briefly to the points you raised with regard to where the tax applies. Your are making, I think, some quite technical comments here. Perhaps the assistant deputy minister could clarify whether you are correct in what you are saying here.

**The Chair:** Who is it you want to hear from?

**Mr Daigeler:** Mr Lettner. Perhaps he could come up.

In particular, there is the question that Mr Kordiuk raised on page 2 of his brief with regard to the difference in ownership. From what you are saying, if there is a difference in ownership, then the CCT would apply. I think that is what you are saying.

**Mr Kordiuk:** Yes.

**Mr Lettner:** Where an employer provides parking for his employees on land owned by him or in a building garage owned by him, then it is exempt. Where the parking is in another garage, in many cases it is only part of a garage. It is still open to the public and a fee is charged. It is operated by a parking company or some company other than the employer, then we treat it the same as we treat all other parking garages. We put them on for \$1 a square foot.

**Mr McCague:** It might be a silly question, but it looks as if the rates are \$300 a month in Toronto now.

**Mr Kordiuk:** If you were to park on the basis of a daily maximum rate rather than a monthly parking permit, and you parked 20 working days of the month, then you would find that the \$15 rates that are downtown equate to \$300 a month, yes. The Toronto-Dominion Centre would be \$15 max; the Royal Bank centre is \$12.

**Mr McCague:** What is the monthly rate?

**Mr Kordiuk:** The monthly parking rate in the downtown office buildings has not been allowed to reach its commercial level, if you like, its place in the marketplace. The reason for that is that the owners of these facilities do not feel that they want to have an image of gouging their tenants, so the parking rates would be anywhere from \$175 to \$210 per month for an unreserved stall and \$275 to \$300 a month for a reserved stall. These rates, which are lower than what the market would bear, have placed us in a position of having a waiting list. In other words, the demand is greater than the amount of space we have available for the public. We take these instructions from the owners. That is how they prefer to look after their tenants' parking requirements.

**Mr Runciman:** I would not mind hearing the witness's comments with respect to this tax. He has made some recommendations related to amendments, but I have had a concern from the outset as to whether this is the appropriate way to provide the funding for infrastructure improvements, highways and so on, and whether in fact the government should not be looking at the people utilizing those highways and byways and infrastructure and perhaps attacking that, at the source of the problem.

**Mr Haggerty:** You are not suggesting tolls, are you, Bob?

**Mr Runciman:** Yes, I have suggested that. I have suggested it be looked at. It seems to me to be at least a more appropriate way of dealing with the single-occupant vehicle, which is creating so many problems in the greater Toronto area. I would like to hear your views on that. I understand where most of our witnesses are coming from. They feel the government is not going to back away from this tax proposal and they are looking for some way of seeking personal relief. I guess I have some strong problems with the whole thrust of this tax.

**Mr Kordiuk:** I have problems similar to yours. From the outset, the difficulty I had was trying to apply it on some equitable basis. Even with the suggestions I have made, I still feel there are several inequities in terms of having a certain segment of users exposed to quite a significant tax. I really am concerned that the market cannot bear an amount that sounds low, \$30 a month, in outlying areas such as Burlington and places like that.

They just cannot bear it. If the parking operators attempt to recover it, then what they will do is reduce the parking demand in the commercial areas, which will effect the viability of the commercial district itself. As you know, parking is a very important part of any commercial establishment. Talk to any store owner and he will tell you, "I don't have enough parking." He would always like to have more parking so that he can invite more customers.

**The Chair:** Thank you very much and thanks for your presentation and your comments today. We appreciate it. Our next presenter is back on Bill 47 and is from Electro Arts Ltd; Bob Zappacosta, president. Welcome, sir. Please have a seat. We have set aside 15 minutes for your presentation and for questions, so we would appreciate your leaving some time for questions from members.

#### ELECTRO ARTS LTD

**Mr Zappacosta:** I represent a group of people, some of whom are listed at the back on the third page. We would like to ask your assistance to present our concerns to the minister regarding this employer health tax. I guess what I could do, with your permission, is just read it.

Our primary concern is that we believe the transferring of the burden of funding health care from Ontario's citizens, the users of the service, to corporations is a fundamental mistake. With today's OHIP system, there is minimal visibility at the user level that there is a cost associated with the use of Ontario's health care services.

This new approach distances the consumer even farther and hence contributes nothing to deterring potential indiscriminate use of the health care system. While it may have had its political consequences, a more fiscally responsible approach would have been to extract a portion of the cost of the service from those who use it.

Needless to say, this added tax burden is particularly unwelcome at this time as it undermines the current major thrust of Canadian business to be world-class competitors. If the new tax were to be implemented as it currently stands we have the following specific concerns:

There is an uneven application of this new tax across the various constituents who make up the business community; specifically, while they may be required to pay EHT for their employees, sole proprietors and partners are exempted from paying the tax. Given the many thousands of partnerships and sole proprietors in this province, many of whom are highly paid professionals, for example doctors and dentists, lawyers and accountants, etc, their exclusion represents a major inequity in the application of this new tax. If this new tax burden must be levied on Ontario's business community, then the only equitable approach is to have it apply to all.

Given that the formula for determining a company's tax liability is based on a per cent of payroll, this tax will impose a relatively heavier burden on the better paying companies. In our view, this province should not penalize its above average employers. Furthermore, the lack of a cap on the salary amount to which the tax applies is an additional measure that contributes to penalizing the higher paying employers. We believe that in the interest of equity, a cap on the salary subject to tax should be imposed and that the cap should be tied to an annual average wage.

Finally, we understand the government takes the position that there is no overlap in OHIP premiums paid three months in advance by



employees, which ends 31 December 1989, and the employer premiums that commence January 1990. Unfortunately, this position fails to recognize the overlap in cost being borne by those employers who voluntarily pay the premiums for their employees. Under this new legislation, once again, the more responsible employers have been penalized compared to their less responsible counterparts. At a minimum, employers who pay their employees' premiums should receive credit for all 1990-related OHIP premiums as an offset against their employer health taxes.

In summary, we support the government's efforts to deal with escalating cost pressures that threaten to lead to larger deficits. In this particular case, however, we believe it is a mistake to further distance the consumer of the service from the cost of providing it.

We can abolish this tax, which I feel will not happen. There is no reason for employers to bear the full burden of this tax. If this tax must be levied, there should be a cap. There is the double dipping I am referring to, the 31 December payment and then the January 1990 payment. Sole proprietors and partners should be required to pay it as well.

**Ms Bryden:** Thank you for bringing your views before us. I appreciate your comment about the overlap of the extra three months of collections, both on employers who pay premiums and on the pay-direct subscribers. I think it is a most inequitable setup and I have already tabled an amendment to eliminate that overlap.

I see that you have problems with whether the users of medicare will feel any connection with the employer health tax. I think your observation is quite right that they probably will not and it really is not intended that they should. What we are promoting in this bill and in the budget is the elimination of OHIP premiums because they were unfair and regressive. The system had really broken down and some people had two or three numbers, apparently. We had far more numbers than we had population anyway. It was a mess statistically. I think all parties now welcome the elimination of premiums.

The question is, what are you going to replace it with? What you are saying is that employers should not be paying it through a payroll tax, that is, that replacement income which I think is \$1.8 billion. Then the Treasurer (Mr R. F. Nixon) is actually asking for \$300 million extra just to give him a little extra money to work with. None of it is actually earmarked for health services. The Treasurer can still spend it as he likes.

What you should be looking at is what can replace those health premiums, which are now \$1.8 billion. I would like to ask whether you would consider it fair to put a further increase in the corporation tax. Many corporations have a very low rate of corporation tax now. It has been reduced by the federal government and then it has also been reduced by the many loopholes that are available.

Actually, literally thousands of corporations pay no corporation tax at all under the federal system and we share in that system. Many individuals pay no individual income tax. Why not tax those sources where the payment is based much more on ability to pay than is a payroll tax, or tax sources such as the untaxed capital gains or a wealth tax or things of that sort. Why not look to some of those?

**The Chair:** Could we ask for a response?

**Ms Bryden:** That is what I am asking, would you accept any of those other ways of meeting the premium income as a fairer way?

**Mr Zappacosta:** Last year Electro Arts Ltd had a payroll of \$1.2 million. OHIP premiums were \$7,000. Under EHT rules, it will be something like \$26,000. We are going from \$7,000 to \$26,000. That is bad enough.

**Ms Bryden:** But did you get a reduction in corporation tax at the same time?

**Mr Zappacosta:** No. I paid tax on tax on tax. Then if I have any profits left, I pay two per cent on my profits when I take that out as a salary. If I make \$50,000, I pay the \$26,000 plus two per cent on the \$50,000 or the \$100,000 or whatever. There is no cap on this thing and this is my biggest objection. The objection about the users being distanced from the payment is a problem, but my biggest problem is that there is no cap.

**Mr Daigeler:** First of all, thank you for coming and sharing your concerns with us. I am a bit surprised when you say that your bill would go from \$7,000 to \$26,000. Perhaps you were not paying that much OHIP at the present time or were not covering all your employees.

**Mr Zappacosta:** No, that was the full OHIP premiums, \$7,000.

**Mr Daigeler:** You presently cover most of your employees fully?

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**Mr Zappacosta:** Yes.

**Mr Daigeler:** Well, I am surprised that there would be such a dramatic increase for your company—



**Mr Zappacosta:** There is.

**Mr Daigeler:** —because those are not normally the figures that we have seen from others. I presume you are also falling—

**Mr Zappacosta:** It is.

**The Chair:** It would be helpful if one talked at a time. Mr Daigeler.

**Mr Zappacosta:** I am sorry.

**Mr Daigeler:** Are you also falling into the small business rate? You know, we did take into consideration the special situation of small businesses and therefore have a graduated rate.

**Mr Zappacosta:** My payroll was \$1.2 million, so I do not fall into that small business rate. Maybe one of the problems is that with OHIP you have an option of having a family plan where a spouse pays it. A lot of my employees are women whose spouse already pays it, but under EHT, regardless, the spouse pays it, the kids pay it, whoever, everybody pays it.

**Mr Runciman:** Are you just representing your own firm today? I noticed in the submission there is a list of firms there.

**Mr Zappacosta:** No, these people all endorse our concerns.

**Mr Runciman:** They all endorse what you are saying.

**Mr Zappacosta:** And this is just a small list. I did not feel that it would be necessary or appropriate to have everyone listed there, because either you are going to be sympathetic with our concerns or you are not. Either they make sense to you or they do not.

**Mr Runciman:** When you talk about applying a cap to this—and you have suggested that you are going to see an increase from \$7,000 to \$26,000—you are not suggesting a specific cap. You obviously have looked at it and assessed it with respect to what various caps would have in terms of an impact on your assessment.

**Mr Zappacosta:** Right.

**Mr Runciman:** Do you have any proposal along those lines?

**Mr Zappacosta:** I think there should be a cap of \$50,000 or \$100,000, something. There has to be something in there. You know, you just cannot leave it wide open. Even workers' compensation has a cap, and we know what the problems are there.

**Mr Runciman:** If I have time for one quick question: Other than the impact, obviously, on your bottom line, what impact is this going to have on your business over the long haul? Is it

going to make you less competitive? Is it going to have any negative impact?

**Mr Zappacosta:** Well, I think so. If I make in widgets the same as some guy in Tennessee making widgets, I am going to be dead in the water. His material costs are less, his payroll is less and he pays one heck of a lot less taxes than I do. With the free trade, I am dead in the water. How am I going to compete?

**Mr Runciman:** Have you pulled any of the statistics together to make that case? I am supportive of your position, by the way, but we need as much ammunition as we can get to try and make that case, as well. I was just wondering if you or others in the industry have done anything along those lines.

**Mr Zappacosta:** No, not really. I have talked to something like 100 different employers, chief executive officers and managers, owners of companies. Not one of them understood the implications of this tax until I got these points out. Up until about a month and a half or two months ago, I talked to 12 different MPPs, and not one of them understood the implications of this tax.

**Mr Runciman:** All Liberals, I guess.

**Mr Zappacosta:** I think so.

**The Chair:** We have one final question and I think we have time for the member for Middlesex. None of those MPPs would have been members of this committee, I am sure.

**Mr Reyecraft:** You mentioned in your response to Mr Daigeler that many of your employees are people, women I believe, whose OHIP premiums are paid for by their spouses, or their spouses' employers, I suppose. One of the fundamental principles behind any tax has to be fairness. Do you think a premium-based system such as we have, with a situation you have just described where one employer is able to benefit from OHIP premiums being paid by another employer, is a fairer system?

**Mr Zappacosta:** With OHIP you have a choice, you have an option. Either you can pay it or the employee can pay it, or you can share it. But with EHT there is no option. Either I pay it, or I am fined and I am put in jail.

**The Chair:** You would do well in question period as a minister with an answer like that.

I would like to thank you very much for taking the time to come and make your presentation. We do appreciate it.

**Mr Zappacosta:** Thank you very much for your attention. I hope we can find some support in it.

**The Chair:** Our next presenter is the Provincial Building and Construction Trade Council of Ontario. I have Murray Gold listed as the deputant. Welcome. We have set aside 15 minutes for your presentation and time for questions and would appreciate your leaving us time within that framework. Begin whenever you are ready.

**PROVINCIAL BUILDING AND  
CONSTRUCTION TRADE COUNCIL OF  
ONTARIO**

**Mr Gold:** I will be as brief as possible. I am here on behalf of the Provincial Building and Construction Trade Council of Ontario, as well as a number of construction trade unions listed on the face page of the brief.

We are here in response to construction employer groups that have visited your committee over the past couple of weeks, the painting contractors and the Council of Ontario Construction Associations, both of which I understand are asking the committee to recommend that they be exempted from this tax. I am here to give you the other side of the story and to tell you why, in our view, there is no reason to treat construction employers any differently from other employers in this province.

The construction employers have told you that they will pay twice under this bill, that they are currently making contributions to a union benefit fund and they will continue to make those contributions and then they will have to pay this employer tax. In my view, this is a very misleading and deceptive way of putting the situation and I want to take a couple of minutes to explain the background to these benefits in the construction industry and then make a couple of brief points.

The construction industry is distinct for many reasons, one of which is that employees move from job to job, employer to employer. It does not make sense for a single employer to implement a benefit plan, so the unions have evolved what is called a multi-employer benefit plan so that all the different employers that the employee works for make contributions to the plan, and those contributions accumulate. The fund is big enough that it can provide the same benefits as employees who work for one main employer. These funds have been set up at the unions' initiative in order to provide benefits for their members, which benefits could not have been provided without these funds.

The funds are financed through fixed hourly contributions. Those come out of the collective

bargaining process. What happens in collective bargaining is, at the table, the unions and the employers agree on what kind of wage increase you are going to see in this particular round of negotiations. They may agree, for instance, on a \$2-per-hour increase. Once they agree on the total increase and the wage package, union then goes back and speaks to its member, speaks to its locals or its affiliates and says to them, "How much of this should we take in our take-home pay and how much of it should we put in our benefit plan?" or our pension plan or whatever. The union decides.

The employer does not really care, \$2 is \$2. He does not care if it is \$2 in wages, zero in benefits, or \$2 in benefits and zero in wages, or anything in between, but the union cares. The union consults and makes its decision.

There is a great variation between trade unions and even between locals of trade unions in this split. Some of them have higher take-home pay and lower benefit packages; some of them have lower take-home pay and better benefit packages. The range is really quite impressive.

I guess the main point, though, is that whatever goes into these funds comes straight out of the employee's pocket. The employee could just as easily say to the employer, "Give me my \$2 in take-home pay and that's it." But they do not. They say, "Give me \$1.50 of that \$2 and put the other 50 cents into my fund." But the 50 cents that goes into the fund, whatever money goes into that fund, that is employees' money.

When the construction employers come to you and tell you, "Funds are paying OHIP; therefore, we are paying OHIP," that is wrong. Funds are paying OHIP, that is true, but that means the employees are paying OHIP, because that money is straight out of the employee's pocket.

The funds themselves are governed by a board of trustees, half of whom are appointed by the union, half of whom are appointed by the employer groups. It is the board that chooses the benefits; not the employers, not the unions, but the trustees.

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Some have chosen OHIP and some have not chosen OHIP. Once again, there is a tremendous range in Ontario. Where the funds do not choose to provide OHIP benefits, then the hourly wage is higher or there are other benefits that are provided, benefits like dental benefits or life insurance or supplementary medical insurance.

The employers have come and asked you, essentially, to reduce the wage package because of this bill. I think there is simply no justification



for doing that. The wage package is something that is negotiated at the bargaining table. There are hard rounds of collective bargaining roughly every two years in the construction industry, and the next round comes up in the spring of 1990, in a few months' time.

If the employers feel that the compensation obligation is too onerous, as they generally feel, then it is the collective bargaining forum that they can use to express their views and to press for lower increases or whatever else they feel appropriate. But it is hardly appropriate, indeed it would be unprecedented, for the government to use any tax as a pretext for interfering in the collective bargaining and reducing one component or some other component of the employees' wage package. This is a private deal, struck at a private table.

I would point out that in the past when OHIP premiums have been raised, as they were in the early 1980s, the employees paid that increase. What happened in the early 1980s was that premiums rose. The funds were responsible for paying that increase and they therefore had to either reduce the other benefits they could provide or increase the amounts that the employees put into the fund. The employers never paid an extra cent as a result of those increases. There is no precedent for any midterm break in the collective agreement whereby unions can come back to employers and say, "The cost of OHIP premiums has risen, therefore your contributions must rise." That did not happen. The risk of increased costs was on the employees and the unions. So now, in accordance with the same bargain, the risk of lower benefits cost is also upon the employer.

The position that I am putting to you is fairly well supported and well illustrated, both in law and in the collective agreements. If you turn to pages 10 and 11 of the brief, you will see citations or quotes from a number of court cases that have considered this kind of benefit trust fund. Most of the cases considered pension funds, which is another form of benefit fund, but the principles are very much the same.

In the first case that we cite—that is, Parry and Cleaver—it is a decision of the House of Lords in the United Kingdom, the highest court available within our jurisprudence. The citation ends on the top of page 11 with the following bold-printed sentences: "The products of the sums paid into the pension fund are in fact delayed remuneration for his current work. That is why pensions are regarded as earned income."

The Ontario Court of Appeal has very much followed that approach in the quote given from Boarelli and Flannigan, and so has the Canadian Supreme Court. In other words, benefits are just part of the wage package, especially in this case where they are negotiated as part of an overall wage package that comes directly out of the employee's wage.

The point is also well illustrated when one looks at the specific provisions in collective agreements that provide for what happens if there are changes to benefit plans. Here at pages 5 and 6 there are some extracts from collective agreements that show quite clearly what the parties themselves agreed to.

The first couple of citations are from the sheet metal workers' provincial collective agreement, and they are talking about contributions to a welfare fund. The welfare fund is the fund that provides OHIP. At the bottom of the first paragraph, the parties have agreed as follows: "It is agreed to increase these contributions on the request of the local union. The increase will be deducted from the wages." In other words, the benefit contribution can go up, but it comes straight out of the employee's pocket.

The next paragraph is even more to the point, "In the event that this welfare plan is discontinued for any reason whatsoever, the contribution shall be added to the hourly rate and become part of the wage package." In other words, that is the deal. The deal is, you take it either in wages or as an hourly contribution rate, but it is all your money, and if you discontinue the benefit package, the money just comes right back into wages.

The other extracts from the carpenters' collective agreements and the electrical workers' agreements are to the same point.

This industry is not an industry in which employers have agreed to pay OHIP, regardless of whether it goes up or down. They have agreed to make fixed contributions to a benefit fund. Some benefit funds provide OHIP, some do not. They have no risk for increased costs, but they have a fixed liability. That is the liability they have bargained for and that is the liability that should be respected in this bill.

**The Chair:** Thank you very much. Mr Daigeler, first question.

**Mr Daigeler:** Thank you for coming and for not asking us to read all these documents here.

**Mr Gold:** Having done it for you.

**Mr Daigeler:** While we appreciate the background, I think you will understand that it is



difficult to read all of that, with the number of documents that we do receive.

Let me ask you a more general question, seeing that you do represent the unions. What has been the reaction in the unions to this government's initiative with regard to the employer health tax? Although Ms Bryden, for the first time, I think, made a very clear statement that she supports the elimination of OHIP, she has been quite critical of this particular initiative. I am just wondering whether the unions have expressed any views on the principle of the EHT.

**Mr Gold:** I am just a lawyer and I cannot really speak for the trade union movement as a whole on the broader questions. I think the policy thrust of eliminating OHIP premiums has been welcomed and extending universality has been welcomed.

**Ms Bryden:** Mr Chairman, on a point of order: Mr Daigeler, I think, said, "Ms Bryden said that she is opposed to the elimination of OHIP."

**Mr Daigeler:** No, that is not what I said. I said, for the first time, you have clearly stated that you are in favour of—

**The Chair:** Could I suggest, as the chair, I have heard her state it many times that she is in favour of eliminating OHIP premiums.

**Ms Bryden:** OHIP premiums.

**Mr Daigeler:** Not to the extent that she did a little bit earlier.

**Ms Bryden:** It sounded like he said OHIP only.

**The Chair:** No, I think Hansard will clearly show that Ms Bryden has said on numerous occasions that she supports the elimination of OHIP premiums.

**Mr Carrothers:** That is right. I have heard that many times too.

**Ms Bryden:** For over 10 years, I have been opposing OHIP premiums.

**The Chair:** Mr Runciman, you have a question.

**Mr Runciman:** I am not terribly clear on this. The witness is suggesting that some employers have appeared before the committee and talked about the cost burden because they are on these fixed contracts. If indeed there is an allocation—for example, \$2 an hour; I think that is the figure you used—if there is nothing assessed or if the union decides to put that into cash up front rather than covering benefits, I guess there is no recovery argument made by the employer in that sense.

I guess I was having difficulty with your presentation. If you said that \$1.50 was going into salary and 50 cents was going to benefits or towards OHIP, you were suggesting that 50 cents should then be going on the salary as well. So rather than getting \$1.50 in salary and 50 cents in benefits, they would be getting the full \$2 in their salary. I gather that is part of your argument, in any event. I guess if there are situations like that, I have some difficulty with it.

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You talk about intervention in collective agreements. Perhaps not so much in the construction area, but in many other organized industries across the province, that is indeed what the government is doing through this legislation. In fact, if an agreement has been reached and then we are going to come along as a government and compel the employer at such and such a date, despite a collective agreement which currently exists, to start paying 100 per cent of OHIP premiums, to me that is indeed an intervention in the collective agreement and in the collective bargaining process, and I have a great deal of difficulty with that. I think if an agreement has been reached through the bargaining process, that has to be lived up to over the period of that contract in some way, shape or form. The employer, certainly in my view, should not end up as a loser in that exercise, nor should the employee.

Perhaps I am sort of transposing this to the chemical industry or any other industry that might be negatively impacted by this proposal, but I think there has to be a sharing of the pain, if you will. If the agreement says you get \$2 an hour, whatever form it takes, that is the way it goes until the end of the contract. There should not be any changes taking place because of this kind of legislation.

**Mr Gold:** I think that is precisely the point. The deal was \$2 an hour, and if the employees decide to take some of their \$2 and spend it on OHIP, then that is their right, but they should not then be penalized and forced to suffer a reduction from the \$2 an hour. They have bargained for \$2 an hour, they get \$2 an hour. If they no longer want to spend part of it on OHIP, that is their prerogative.

**Mr Runciman:** I guess I have difficulty with the argument when I apply it to the rest of the industries across the province that are organized.

**Mr Gold:** They may have very different bargains.

**Mr Mackenzie:** Just for the record first, I do not think it needs to be reiterated too strongly but I do not know a New Democrat who has not argued for the elimination of premiums for 10, 12 or 15 years, Mr Daigeler. I am surprised you did not know that.

**Mr Daigeler:** We have not heard it much in these hearings.

**Mr Mackenzie:** The case that you are making—in effect, there is a different setup basically in the building trades than there is in most of the industrial unions. You negotiate a package in the province-wide bargaining, although it may apply differently to the various trades and the various locals. Whatever is negotiated—you used the figure of \$2, so we will keep it—but whether it is \$1, \$2 or \$3, once that is negotiated, that is the negotiation that goes on with the contractors and the associations and the trades.

Once that is negotiated, then the individual trades, and in some cases the individual locals, decide how they are going to split up that \$1, \$2 or \$3. In some cases, they will split it evenly and they will buy a variety of benefits. I know the carpenters in my town recently have bought dental plans with it. In some cases, some of the unions do not take any OHIP at all. It is not covered out of the amount they have bought.

So in regard to the argument we had here last week from the employers that they should be exempted from having to make this payment because they would be paying twice, you would have an awful lot of bookkeeping to go through the various contracts and separate out those who had not paid previously.

**Mr Gold:** That is right.

**Mr Mackenzie:** You are really asking for an administrative headache if their argument is accepted. But in fact, your argument basically is that you have negotiated that package and that is wages. The decision then is made by all the individual locals how they want to split it up. So the OHIP premium argument should not enter into that at all, and I do not think there is much sense in the management argument.

**The Chair:** We appreciate your answering the last two questions. Thank you very much for making your presentation today and your very detailed submission to the committee. We appreciate it very much.

We had a cancellation, but I understand the Canadian Payroll Association is present, armed and ready to go. So perhaps we could ask you to come ahead a little bit earlier than your original

appointment, which will leave us a little more time perhaps for questions. For the purposes of Hansard, I would ask you to please introduce yourselves and everyone who is involved in the presentation and begin whenever you are ready.

#### CANADIAN PAYROLL ASSOCIATION

**Mr Scarfone:** My name is Ken Scarfone and I am director of provincial government relations for the Canadian Payroll Association.

**Ms Plourde:** I am Lois Plourde and I chaired the committee that presented the brief here originally. I am with the payroll service bureau, Toronto Dominion Bank, and a certified public accountant.

**Mr Scarfone:** We have prepared a submission to the standing committee on finance and economic affairs.

First, a brief history of our organization: The Canadian Payroll Association is a national trade association founded in 1977, with a membership of over 1,500 companies that employ an estimated two million people across Canada. Half our membership is based in Ontario. We are considered the voice of payroll in Canada and represent our members' interests from virtually all sectors of the business community throughout Canada.

Our members also include the majority of service bureaus involved in all facets of payroll preparation for 50,000 companies across Canada. Of the 25,000 companies serviced in Ontario, the average client is well under 100 employees.

Attached is a copy of the Canadian Payroll Association's brief outlining proposals on the employer health tax submitted to the Ontario Ministry of Revenue on 15 July 1989. In our brief, we addressed our concerns with regard to the rates and instalment payments of the EHT and remittance frequency which we would like to readdress to this committee.

The Canadian Payroll Association is prepared to offer whatever assistance we can in this communication process. We welcome the opportunity for continued discussion and input as the EHT legislation is finalized.

I will just go over briefly in an outline form what we did in our submission.

Definitions: We recommend that definitions for "employers having permanent establishments in Ontario" and "total Ontario remuneration" conform with the method used by the Department of National Revenue. The definition of "remuneration" should conform to that used by Revenue Canada for box C on the T-4.



Rates and instalment payments of the EHT: We recommend that employers be allowed to determine their EHT instalment rate based on prior year gross payroll, and that this one rate be used during the year to calculate and remit instalments based on prior month or quarter gross payroll. We suggest that the use of one constant rate of calculation for the year would be beneficial to small and large employers, service bureaus and the Ministry of Revenue's administrative staff.

Remittance frequency: It is also recommended that each company's remittance frequency be based on its instalment rate and that it remain static for the year. We suggest that monthly remitters be due on 15 February 1990 through 15 January 1991, inclusive.

Mr Mancini addressed this proposal in his reply, dated 28 August 1989, to Karen Lander, executive director for the Canadian Payroll Association, in a most positive way. He stated the following: (1) "We also agree with your proposal that the remittance frequency should be fixed for the calendar year." and (2) "The remittance for monthly and quarterly filers will be the same as you identified in your paper." We did identify that the first remittance be on 15 February 1990.

Proposed remittance statement: It is recommended that this statement be designed to conform closely to those used by Revenue Canada and Quebec Health, both of which employers are already familiar.

Proposed annual return and annual declaration: It is recommended that the due date for the annual return be established as 15 March.

Statute of limitation: The proposed statute of limitation should be changed to six years plus the current year.

That is our executive summary, along with the original brief that was submitted.

**Ms Bryden:** Thank you for bringing your views with very specific recommendations forward to us. We did have one other payroll company operating in the province that brought some suggestions to us as well. I think some of your technical recommendations are certainly very well worth looking at. I notice the minister has endorsed one—is that correct?—which is a fixed date for the remittance frequency and a fixed calendar rate of tax, which would be adjusted at the end of the year. I think this is what he has accepted.

**Mr Scarfone:** That is correct.

**Ms Bryden:** Has he indicated any support for your other recommendations or have you met with his technical expert in the Ministry of Revenue to see whether each of these recommendations would be not only feasible but would be a streamlining and an improvement of the efficiency of the collection procedure?

I would like to know what response you have had either from officials or from the minister on each of your recommendations, because to me they sound well worth looking at.

**Ms Plourde:** I am sorry, you will have to clarify yourself a little in what you are saying.

**Ms Bryden:** You have recommendations at the end of your executive summary. Has the minister indicated support for anything but the one about remittance frequency?

**Ms Plourde:** We had a letter that was sent to Karen Lander on 28 August from Mr Mancini in which he just outlined a few brief portions of it, thanking us for the brief, for one thing, and saying that certain items had been looked at and he basically concurred with those two that we quoted. Others were to be looked at at that point. That goes back into August. We have had an ongoing, almost day-by-day rapport with the Minister of Revenue's office and their administrative staff, working our way through all these different and horrendous administrative problems.

**Ms Bryden:** Have you met with any of the tax collection people in the ministry who designed the form and set it up?

**Ms Plourde:** Yes. We have sat in on a meeting where we reviewed the form with them, put through some suggestions, several of which were accepted, talked on a day-by-day basis, as I say, and a lot of the items were picked up. We have been thanked profusely for helping them with their administration also.

There are, though, just a few more points, such as we would like to see something very final, to know that the one frequency would stand for the year, and also that the one rate would be applied all year and not fluctuate up and down and up and down, as that would cause administrative problems not only for small business people and medium business people but, as you can imagine, for a service bureau doing 8,000 different payrolls or, as I believe the Royal Bank of Canada stated, 13,000 in their case, considerable system programming.

**Ms Bryden:** Our solution, of course, would be to abolish this particular kind of tax and perhaps go back to income tax and corporation tax that



already has the setup for collection by instalment.

**Ms Plourde:** In all other taxes, and I think this is one of the points that was brought up in this other brief, you are paying after the fact, after the wages have been earned and paid. Then the tax comes up. The way it is currently set up with EHT, you would be expected to estimate and pay on it. That is one of the points where we are looking at 15 February 1990 as being your first payment rather than 15 January being your first payment.

**Mr Runciman:** I am just curious about the comment here in respect to communications where you are obviously expressing some strong views about the systems and firm rules and regulations being in place and communicated no later than 31 August of this year. I am just wondering if that occurred.

**Ms Plourde:** What page are you referring to?

**Mr Runciman:** Page 8.

**Mr Scarfone:** We did have some communications but—

**Ms Plourde:** Did we have everything in place by then? No, absolutely not. It has been a nightmare getting this into place.

**Mr Runciman:** It is going to create some real problems for you. That is what you are suggesting.

**Ms Plourde:** I am the product manager for our payroll services. Legislative compliance is what I am responsible for. We still are having quite a lot of problems because we do not have anything real final as of today's date, and you are looking at just another month into the way of trying to have everything in place.

**Mr Runciman:** What is going to happen if you do not have that?

**Mr Scarfone:** That is a good question.

**Ms Plourde:** Yes, no doubt.

**Mr Runciman:** Sheer chaos.

**Mr Scarfone:** That is right.

**Ms Plourde:** Definitely chaos.

**Mr Scarfone:** From the standpoint of an individual employer, it is a headache as well.

**Mr Reycraft:** You have quoted the minister twice on page 3 and I listened to your interpretation, I guess, of what he had said. With respect to the first one and this business of fixing the remittance frequency, could I ask you to explain to me what you interpret that statement to mean?

**Ms Plourde:** We just quoted the paragraph. If you would like where it came out of, would that be of any help to you?

**Mr Reycraft:** It might be. I also thought perhaps it might be helpful if we had the whole letter so that we could see the statements in context.

**Ms Plourde:** We were going to make you copies, but my feeling was this was a letter that Mr Mancini wrote and therefore Mr Mancini has not given me the right to hand out his letter, so I did not know whether I should do that or not. Other than that, you are more than welcome to have copies of the letter.

**The Chair:** I am sure we could obtain a copy of that letter.

**Ms Plourde:** The letter was dated 28 August 1989, going to Karen Lander, executive director of CPA, signed by Mr Mancini. The paragraph said: "The definitions used in the bill do closely parallel the Income Tax Act (Canada), the Ontario Corporations Tax Act and the Ontario Income Tax Act. We also agree with your proposal that the remittance frequency should be fixed for the calendar year."

If you want the rest—that is not the end of the paragraph—I can go on. I am not taking that out of context, is what I am trying to say.

**Mr Reycraft:** I interpret that to mean that if you start paying on a quarterly basis, you pay on a quarterly basis for the full year. Is that your interpretation?

**Ms Plourde:** That was my interpretation. That was my interpretation every time that I spoke with the ministry office until a meeting I attended last Monday, where I was told that quarterly remitters could all of a sudden become monthly remitters if in fact your estimate of \$400,000 happened to go over during the year to an actual of—say, all of a sudden you had \$450,000. Then they will get pulled back. Now you are a monthly remitter.

We cannot play this game by throwing balls up in the air, and hopefully they will just land in this spot. It will not work.

**The Chair:** Thank you. Mr Daigeler, you had a brief question.

**Mr Daigeler:** Yes. First, I was glad to hear that you have been in touch with the ministry officials on a regular basis and have been working closely with them. You seem to give an image here as though the implementation of this is extremely complicated for all the businesses. I was at a payroll conference about a week ago in Ottawa. Representatives of your association were there and I must say that I did not get that kind of feedback at all. I mean, obviously, as in any other new initiative, there will be some

difficulty, but I did not get a sense, at least from the people in the Ottawa area—

**Ms Plourde:** Is that the CPA that Kathy Hill was doing?

**Mr Daigeler:** The seminar was given by our ministry officials.

**Ms Plourde:** I see.

**Mr Daigeler:** Among the questions that were asked, it did not seem to be that tremendous a burden.

**Ms Plourde:** Who were you addressing at this meeting? I am not aware of its even having happened.

**The Chair:** Perhaps you could focus the question, rather than playing guessing games.

**Ms Plourde:** If you were meeting with payroll people, you could have also been meeting with payroll people who have a service bureau doing their payroll. They are not worried at all, because they have other people to do their worrying.

**Mr Daigeler:** All I am saying is that from the people who were there, and these were payroll people, I did not get the sense of chaos or disorder that you are describing. But if that is your experience, I cannot argue with your experience. All I am sharing with you is the reception that I had.

**Ms Plourde:** Systems-wise, we are looking from a systems point of view, so if you are a large corporation and you have a large in-house payroll system where you have your own programmers who not only are doing this, but at this time of year you have to remember there is massive year-end programming going on in any payroll department, and obviously that is many times greater in a service bureau.

**Mr Daigeler:** I can appreciate that.

**The Chair:** Thank you very much for taking the time to come and submitting your presentation. We appreciate the additional information.

**Ms Plourde:** You are welcome. Thank you.

**The Chair:** Our final presenter of the afternoon is—we will move back to Bill 46—a group from Dylex, and perhaps I could ask them to come forward. If there are additional chairs needed, we could perhaps use these two chairs beside Mr Daigeler so that a microphone would be available for anyone answering the question.

Mr Posluns is chairman of Dylex. With him is Mr Moore, Julia Ryan and Syd Loftus. Welcome. I would like to ask you for the purposes of Hansard to introduce yourselves and the group with you and begin whenever you are ready.

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## DYLEX LTD

**Ms Ryan:** My name is Julia Ryan. I am a counsel for the presenters here today. I have with me, on my right, Wilfred Posluns, who is the chairman, president and CEO of Dylex Ltd, and Geoff Moore, who is a consultant to the group which is making the presentation here today, an expert in shopping centres and shopping centre leases.

The presentation that we are making today is on behalf of 101 retailers who comprise what are referred to in our brief as the CRU tenants in shopping centres. The word "CRU" stands for commercial retail unit. These are the small or ancillary shopping centre tenants, as opposed to what are referred to as the majors or anchor tenants such as Simpsons, Eatons, The Bay, the large department stores.

Since we filed our brief, two more companies have been added to the list on whose behalf we are appearing, and they are Kinney Canada Inc and Birks Jewellers Canada Ltd.

We had a schedule. At schedule 1 to the brief you will see the list of all the stores that are represented in this group. I have prepared a revised schedule adding Kinney's and Birks, which I will just give to the clerk at the end. It does not change the substance of the brief. It just adds the list and changes the number of stores and people who are being represented. I will simply leave it with the clerk at the end, if that is satisfactory. Mr Posluns will make the presentation on behalf of the CRU tenants, so I will turn the matter over to Mr Posluns. At the end we will be happy to answer questions from any of you.

**Mr Posluns:** I want to thank the committee for hearing our submission.

I do represent 101 small tenants or retailers in the regional shopping centres. We represent about 30 per cent of the commercial retail unit space or CRU in the greater Toronto area in regional centres. The CRUs include both national chains and a large number of independent retailers; for instance, 40 per cent of Yorkdale retailers and 36 per cent of Scarborough Town Centre retailers. We represent 2,600 stores in Ontario and 60,000 employees across Canada. Some of our stores, just to give you an example, are company stores like Tip Top, Fairweather, People's Jewellers, Marks and Spencer, Black's Camera. The list is schedule 1 and you can get a list of whom we do represent.

I would like to say, in beginning, that we do support the government's need to raise revenue



for the greater Toronto area infrastructure, but we do have some suggestions for improvement to the proposed legislation.

We would like you, first, to amend Bill 46 to ensure that land owners of shopping centres who seek to pass on the commercial concentration tax pass it on pro rata to all tenants in accordance with their square footage of leased space; second, to amend Bill 46 to prohibit landlords from charging tenants any administration fee for collecting the tax.

I will give more details as to our suggestions, but first, I would like to say that with reference to the Retail Council of Canada brief, we agree it would be more equitable to broaden the CCT tax base. Many large retailers who normally locate in stand-alone buildings or in centres of less than 200,000 feet will be exempt from the legislation. Examples would be McDonald's, Swiss Chalet, Shopper's Drug Mart, Burger King, Canadian Tire, Goodyear Tire.

Once again, I am here to emphasize two points: The tax must be distributed equitably among all tenants, and there must be no fees for its collection. The reason for our taking this position is that unless the legislation is amended as we have suggested, most likely all CCT will be passed through to the small ancillary or CRU tenants. Major or anchor tenants will pay nothing. The large shopping centre owners, who are the richest segment of the development industry, will profit from the collection of the tax. In some cases, major tenants will also profit through ownership positions in the centres.

The retail industry is already in trouble—spiralling rents, price undercutting by majors, bankruptcies, independents having increased difficulty staying in business. A large increase in the costs of the small CRU tenants will further erode their economic position. This could affect employment in the retail industry and have a ripple effect on related manufacturing industries. The CRU tenants would be the most likely to be buying from domestic suppliers, whereas the majors are doing a lot of imports. With the weakening of the smaller tenants, the manufacturing industry will also be hurt.

I would like to illustrate how the tax will be passed on to the smaller tenants. First, major tenants pay little or no rent to shopping centres. The maintenance costs, including taxes on common areas, are passed on to the smaller tenants. The CRUs pay two to four times the common area maintenance tax of the anchors. The CRUs pay the common area costs that anchors would otherwise pay. The CRUs may

pay more than the share of real property taxes attributed to their leased space. The CRUs pay 15 per cent gross-up on common area maintenance costs, including common area taxes, and many do so on all taxes. On average, the CRUs pay at least \$30 per square foot more than majors for space in the same regional mall and pay 85 per cent of all the rentals while occupying only 45 per cent of the space.

If you would turn to section 7, page 2—this is the executive summary—just to give you some of the examples of what does happen, if shopping centre owners are permitted to distribute the CCT so inequitably and to charge fees for its collection, the adverse effect on the economic health of CRU retailers will be enormous, as shown by the following analysis.

"1. Today, at Scarborough Town Centre, CRU CAM costs are 2.2 times higher than the majors' CAM costs. With the CCT, that differential would increase to 3.6 or 3.85 times higher, depending on whether or not the CRUs are charged an administration fee to collect the CCT.

"2. If the entire CCT is forced upon CRU tenants, CRU tenants at Scarborough Town Centre will pay CCT costs of \$2.12 per square foot without the 15 per cent administration fee and \$2.44 per square foot with it. CRU tenants would pay \$1 per square foot if all tenants, including the majors, paid their proportionate share in accordance with the square footage of their leased space. The excess charge to the CRUs is almost \$1.50 per square foot. Yet major tenants would pay no CCT at all and landlords would reap windfall profits.

"3. In the greater Toronto area overall, if the entire CCT is passed on only to the CRU tenants, they will pay CCT of \$2.09 per square foot without the administration fee and \$2.41 per square foot if it is included, the same inequity as at the Scarborough Town Centre.

4. With the administration fee, regional shopping centre owners in the GTA will collect \$3 million in revenues from CRU retailers, in effect transferring profits from the small retailers.

5. A typical ladies wear retailer in the GTA will pay 6.7 per cent of its pretax profit in CCT if charged \$1 per square foot. At \$2.40 per square foot, the share of ladies' wear retail pretax profit absorbed by the CCT will jump to 16 per cent.

6. At Dylex (Fairweather, Tip Top, Harry Rosen, Braemar and Steel and others) the CCT, if shared equitably on a pro rata basis among all shopping centre tenants and without any administration fee, will reduce Dylex's pretax profit by



10 per cent. That number climbs to 22 per cent if the commercial retail unit is allowed only to CRU tenants. The same analysis for Grafton Group (Brettons, Clark Shoes and Bootlegger, among others) shows Grafton's average pretax share profit being reduced by 27 per cent and 60 per cent respectively. If an administration fee is permitted, the profit reduction will be even greater.

#### 1700

I want to make one other comment, that the weakest area in retailing in Canada is the greater Toronto area. In the last two years, sales in this area have been declining. It is by far the worst part of Canada right now.

In conclusion, I would like to repeat what I said before, and that is to amend Bill 46 to ensure that landowners of shopping centres who seek to pass on the CCT pass it on pro rata to all tenants in accordance with their square footage of leased space, and amend Bill 46 to prohibit landlords from charging tenants any administration fee for collecting the tax.

**The Chair:** Are there any additional comments from the deputant?

**Ms Ryan:** I might just make one note. As Mr Posluns was reading paragraph 6 on page 3, when he is referring to the Grafton Group, it is pretax "store" profit in the third to last line, not "share" profit. That is a typing mistake there.

**Ms Bryden:** I appreciate you coming before us with a brief representing such a large number of retailers who are affected by this tax in a variety of ways in their landlord-tenant relationships. We are always glad to hear from large groups because we know the points they are making represent a lot of people's interests.

I think the points you make about the difficulties of tenants in shopping centres, shopping malls and so on stem from the landlord-tenant relationships that are so different and I think would indicate that the people who drafted the bill did not understand those relationships. It seems that what happens, as you have illustrated so well in your examples, is that the landlords get richer and the tenants get poorer, which actually seems to be the thrust of most recent Liberal legislation as well.

While your proposed amendments may correct some of the inequities, it seems to me it might be better if the government stopped trying to get into the business tax field, which the municipalities have long considered their field and for which they have very good rules for trying to put in a fair assessment and a fair business tax. For the

province to come in with a new business tax, an untried business tax, without the knowledge of how it will affect an awful lot of industries, I think is really foolhardy.

Do you feel that if this goes through as it is, or even with very minor modifications, it will have a serious effect on the economic development of this greater Toronto area because there will be a lot of tenants in these malls who may not be able to continue to operate under this tax?

**Mr Posluns:** First, I think the cost structure of all our real estate has escalated over the last period of years quite tremendously. If you look at the financial statements of almost all the public companies, you will see that their sales have been relatively flat and their costs have escalated, and therefore there has been a substantial decline in profit across the country over the last five years. That would go for almost everybody.

This particular market, Toronto, is probably the worst of the area; in other words, the rest of the country is holding Toronto up at this point. The costs in Toronto have escalated so dramatically that it is really almost impossible for any profits to be made at the retail level in this city. I mentioned that we certainly agree that if there has to be a tax, and I am not in a position to argue whether the government needs the money for the Toronto area or not, the fairest way is the way the Retail Council of Canada brief represented it, which says to pass it on to everybody who is in the business and not to take a certain group of people to pass it on to.

Our submission is that if the decision is that we are going to do it anyway, then at least amend the bill so it is done fairly with the groups you have suggested. Do not leave us at the hands of a very powerful group of landlords. The landlords, remember, are at least 50 per cent owned by the department stores. Then you are leaving us with the majors making the decision on how we are going to pay and what we are to pay. They do not mind passing it on to us.

**Ms Bryden:** You are saying it is the worst possible time to bring in this kind of a tax, when there is actually a sort of recession.

**Mr Posluns:** Not only do you have a recession, but I do not know if you realize that when the federal tax comes in in 1991, in the clothing industry anyway we have been paying no manufacturing tax, so the full impact of the nine per cent is going to be added right across the board. There is no saving and we expect in 1990-91 an absolute decrease in sales across Canada. Toronto happens to be the most difficult area for us to contend with right now.

**The Chair:** Mr Mackenzie, is yours a supplementary to this?

**Mr Mackenzie:** Partially. I just want to be clear that what you are telling us in this brief is that the tax as it now stands, in your opinion means that the people who are going to benefit, the only people likely to really benefit, are the anchor stores which in many cases are part owners of the centres as well. Your argument is that this is not a fair tax as far as the rest of the tenants go.

**Mr Posluns:** That is correct.

**Mr Daigeler:** First of all, thank you for coming. I was surprised somewhat to hear you say that retail sales profits in the Toronto area are not very good.

**Mr Posluns:** Yes.

**Mr Daigeler:** You are not saying retail sales are down; you are just saying the profits are—

**Mr Posluns:** Retail sales are down and profits are down. The profits are nonexistent in this area.

**Mr Daigeler:** Do you have any figures or a document that you could share with the committee, not necessarily now but that you could leave with the clerk as a submission?

**Mr Posluns:** Most companies have sales figures that are published. I get my own company's sales figure by area and the Metro Toronto area is the worst area in Canada and has been that for the last two years.

**Mr Daigeler:** It would seem to me to be in contradiction somewhat to the creation of new retailers. There are, if I am not mistaken, some 15,000 new retailers that have opened up in the last few years in the Toronto area and if there were no profit to be made—

**Mr Posluns:** That may be the reason.

**Mr Daigeler:** My main question is, and I think your main point is a different one, do you not feel that the concern you are raising, which is a legitimate one, can be dealt with between the tenants and the landlord?

**Mr Posluns:** I will answer the first issue you commented on about all the new tenants. That is exactly what has happened. The major shopping centres have expanded all their centres and have added new stores and raised our rents at the same time, so the reason our store's sales are flat, which is tough even to maintain, or are down, is that there are so many new entries that are all picking each other apart. So what you say it is perfectly logical: They have opened in major centres and our stores are in the major centres and our sales have got worse because of it.

On the second, the answer is no, we cannot. We have leases—Mr Moore can comment on it; he has examined the leases—and we are very strong in negotiating with the landlords, but in virtually all our leases, and we are probably one of the best in the industry, the landlord does have a lot of power depending on where the tax comes.

**Mr Moore:** The tax will come through the common area maintenance cost formula, which takes all the costs associated with operating the centre and spreads it to the commercial retail unit tenants. In a regional centre, the normal way is that you take the total cost of managing—in Scarborough Town Centre, it is \$2.3 million. They get some contribution from the major tenants, which would be The Bay, Simpsons and Eaton's, but the balance is shared by the CRU tenants and that balance in Scarborough Town Centre is 2.2 times the amount paid by the major anchor tenants.

In those leases, the landlord has the absolute right to chart all the CCT to the CRU tenants, which means that the anchor tenants would pay nothing. That would bring up the difference in CAM costs to about 3.85 in a centre like Scarborough Town Centre. They also have the right to charge a 15 per cent administration fee on the CCT, so that represents the \$3 million Mr Posluns has mentioned.

Also, they can charge it through the tax clause, which is worded the same way. Total taxes in the shopping centre less contribution by anchor tenants and the balance is shared by the CRU tenants. If Dylex cannot negotiate a change in that clause, which it has not been able to in its own leases, nobody else in the industry can because Dylex is the strongest CRU retailer in Canada.

**The Chair:** Are there any other questions? If not, thank you very much. It is a very comprehensive brief and the committee will certainly take into account your concerns. Thank you for coming today.

There are no other deputations to come before the committee. Is there any other business to come before the chair?

**Ms Bryden:** I wanted to be notified of any further amendments the government is planning. We received one package.

**The Chair:** As usual.

**Ms Bryden:** When can we receive any further amendments the government is planning, so that we can have them well before the clause-by-clause, and also from the other parties?

**The Chair:** Mr Runciman, I believe, has left. We were actually going to ask if there were any additional amendments. Madam Clerk, we are talking about potential amendments.

**Mr Daigeler:** Obviously, we want to finish the hearings first and then if there should be any further amendments, we would obviously do that as quickly as possible.

**Ms Bryden:** There is a period between tomorrow, when presumably we finish hearings, and the beginning of clause-by-clause.

**The Chair:** Our next meeting is 7 December.

**Ms Bryden:** In that period, can we receive some sort of advance copy, so we know?

**Mr Daigeler:** At this point of course, we have submitted the amendments already so you have a fair idea, but we do wish to finish the hearings tomorrow.

**Mr Mackenzie:** That probably means about 55 amendments.

**Ms Bryden:** We cannot do clause-by-clause without some advance notice of amendments.

**The Chair:** The government is listening again. Is that what you are suggesting?

**Mr Mackenzie:** Either that or it is very poor planning.

**Mr Daigeler:** I do not think there should be an expectation that there will be a long list of additional amendments.

**Ms Bryden:** Not like Bill 147.

**The Chair:** As direction to all three parties, if there are additional amendments, it would be helpful if you have any additional ones, or if the Conservatives do, or if indeed there are government amendments.

**Mr Haggerty:** Are we in clause-by-clause tomorrow?

**The Chair:** No, we are in clause-by-clause on 7 December. It would be helpful to have all amendments in as soon as possible. Is there anything else? If not, we stand adjourned until tomorrow at 3:30 pm.

The committee adjourned, at 1714.



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## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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Plourde, Lois, Chairperson, Committee on Employee Health Pact

**From Dylex Ltd:**

Ryan, Julia, Legal Counsel; with Goodman and Goodman  
Posluns, Wilfred, Chairman, President and Chief Executive Officer  
Moore, Geoffrey, Consultant







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# Hansard

## Official Report of Debates

### Legislative Assembly of Ontario

#### **Standing Committee on Finance and Economic Affairs**

Commercial Concentration Tax Act, 1989

Employer Health Tax Act, 1989

**Second Session, 34th Parliament**

Tuesday 28 November 1989

Speaker: Honourable Hugh A. Edighoffer

Clerk of the House: Claude L. DesRosiers



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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

**Tuesday 28 November 1989**

The committee met at 1530 in committee room 2.

### COMMERCIAL CONCENTRATION TAX ACT, 1989 (continued)

### EMPLOYER HEALTH TAX ACT, 1989 (continued)

Consideration of Bill 46, An Act to establish a Commercial Concentration Tax, and Bill 47, An Act to impose a Tax on Employers for the purpose of providing for Health Care and to revise the requirements respecting the payment of Premiums under the Health Insurance Act.

**The Chair:** Ladies and gentlemen, I call the meeting to order. I am sorry for the crowded conditions, but it just shows the popularity of the taxes we are dealing with. Is that the correct way of putting it, George?

**Mr McCague:** I doubt it.

**The Chair:** I doubt it. Welcome to the committee. I would like to call to order our standing committee on finance and economic affairs. There will be members joining us as the meeting progresses. They are probably currently in the Legislature engaging in the debate.

We have a number of deputations today and because of the long list on the agenda, we are going to try as much as possible to stick to our timetable. Our first presenter is from the city of Brampton. We have allotted 15 minutes for the deputy city solicitor, Clay Connor. Is Mr Connor here?

**Mr Connor:** Yes, Mr Chairman.

**The Chair:** If you would come forward, we require you to sit at the microphone and introduce yourself for the purposes of Hansard. Begin whenever you are ready.

### CITY OF BRAMPTON

**Mr Connor:** My name is Clay Connor. I am the deputy city solicitor for Brampton. If there is strength in numbers, I may be at a bit of a disadvantage because I am a delegation of one, but I take some strength from the fact that I am representing a municipality of over 180,000 people.

I thank you for the opportunity to present to you our council's concerns about the impacts of

the introduction of the commercial concentration tax on the city of Brampton. Our particular concern relates to the part of the bill which would impose the tax on commercial parking lots operated by a municipality or local board, namely, subsection 4(3).

As we understand it, the purpose of the tax is to raise revenues for road and other transportation improvements needed to relieve the pressure on existing roads and transportation facilities. This pressure is created largely from increasing numbers of commuters into the Metropolitan Toronto area. The tax is intended to be imposed on commercial parking lots operated by municipalities, presumably to keep them on an equal footing with privately owned parking lots.

If the rationale for the tax is as I have stated it, there are two significant points which should be considered, I submit.

First, the proponents of the tax seem to be saying that the only way to respond to pressures on transportation facilities in and around Metro Toronto is to build more facilities. There does not seem to be a recognition that the pressures can be relieved by creating more employment opportunities in the suburban communities, thereby reducing the number of commuters and reducing the pressures on the existing system.

Second, as far as Brampton is concerned, there are virtually no private commercial parking lots in downtown Brampton which would be disadvantaged if municipal parking lots were exempt from the tax. The vast majority of parking spaces downtown are provided by the municipality.

To understand how Brampton would be hurt by the imposition of the commercial concentration tax on municipal parking facilities, one must understand something about the development of Brampton.

Brampton is composed of the former town of Brampton, the former township of Toronto Gore and parts of the former township of Chingacousy and former township of Toronto. Historically, the commercial area of Brampton was centred in the downtown of the former town of Brampton at Highway 10 and Queen Street.

Like many other municipalities, Brampton's commercial downtown was hurt by the development of suburban shopping malls which provide



their own free parking. In Brampton's case, the major malls are Shoppers World at Highway 10 and Steeles Avenue and the Bramalea City Centre at Highway 7 and Dixie Road.

This province has long recognized the problems of municipalities faced with stagnating, if not decaying, downtowns, and has supported municipalities' efforts to reverse this trend. This support has been both legislative, through section 217 of the Municipal Act allowing for the creation of improvement areas, and financial, with programs like the program for renewal, improvement, development and economic revitalization, or PRIDE.

Downtown revitalization is firmly established as a goal in the city's official plan. In addition to taking advantage of the provincial programs, the city has tried to serve as a catalyst for downtown redevelopment through a number of seed projects of its own.

The construction of a new city hall downtown, complete with underground parking, and the establishment of a downtown Brampton transit gateway are two such projects currently under construction. The transit gateway will be a terminal for Brampton Transit, GO Transit, both rail and bus, as well as a bus parcel pickup service. The project would not have been possible without the financial assistance of the Ministry of Transportation.

These projects appear to be producing the desired effect. We are seeing some redevelopment in our downtown, but the availability of affordable parking is the key to the success of the scheme. Downtown parking must be both convenient for customers and inexpensive if the downtown is to compete with the malls, which provide both convenient and free parking.

The city treasurer estimates that the city will be required to pay approximately \$478,000 in tax on the city parking lots in the next year. Based on our inventory of 1,460 spaces, the city will have to generate on average an additional \$327 per space per year to pay the tax.

Staff are currently working out the implications of the tax on our parking lot operation, so I cannot give you precise figures on the impact of the tax on our parking fees. But to give you a basic idea of the potential impact of the tax, the additional \$327 per year per space required works out to approximately \$27 per month. If you were to add the \$27 on to the cost of a \$45 monthly parking pass, which is our present rate, it would represent a 60 per cent increase in the cost of the pass.

Attached to the end of my presentation is a map showing the municipal off-street parking lots in the downtown Four Corners area of Brampton. Both the city hall and terminal parking facilities shown on the map are under construction. The terminal parking facility illustrates the importance of parking to the growth of our downtown.

The area south of the railway tracks and bounded by George Street North, Nelson Street and Main Street is the location of the downtown Brampton transit terminal. A tunnel is being cut through the embankment on which the railway tracks are situated to connect our terminal with the GO station to the north, and together this forms the transit gateway.

To better utilize the transit terminal lands, the city put out a proposal call to lease the air rights above the terminal for the construction of a commercial office building which we paid to have designed. We did attract one interested developer, but the developer's major concern was the supply of parking for his future tenants. It was only when the city committed to construct underground parking under the transit terminal facility that the developer agreed to construct the office building above it.

The map also contains a table setting out our present hourly and monthly parking fees. Looking at this table, I ask you not to compare the rates to downtown Toronto but rather to compare the rates to zero, which is what the malls charge in our community. Any increase to the rates, and the commercial concentration tax will result in a rate increase, would have a negative effect on the commercial viability of downtown Brampton.

If downtown Brampton is to continue to grow, it will do so only on the basis of the municipality providing the parking. Profits from our existing parking lots are placed in a reserve fund to help pay for the acquisition of new areas for parking.

Consultants' studies told us that there is a shortfall of parking in downtown Brampton at present. The redevelopment of the Queen's Square facility which is planned, will reduce but not entirely eliminate the shortfall. If our downtown is to continue to grow, it is up to the city to create more affordable parking.

To summarize: The imposition of the commercial concentration tax on municipal parking lots would increase the cost of parking in downtown Brampton. This would make the downtown less attractive to potential consumers and therefore less viable than suburban areas which can provide free parking on site.

The imposition of the tax would restrict the capability of downtown Brampton to create more employment, shopping and cultural opportunities for its citizens and thereby reduce some of the demands on the existing transportation infrastructure.

Given the virtual absence of private commercial parking lots from downtown Brampton, there is no reason on the ground of providing competitive fairness to impose the tax on municipal parking lots.

We would, therefore, request the province and this committee to amend Bill 46 to extend the exemption from the commercial concentration tax to include commercial parking lots operated by municipalities and local boards. I would be pleased to answer any questions the members might have.

1540

**Ms Bryden:** I appreciate your bringing your problems to us. You are not the first municipal parking brief that we have had, but this one is from the deputy city solicitor, so certainly you know your facts. All the other city municipal parking operations were established for really the same reason, as you say, to provide affordable parking adjacent to the downtown or to the municipal offices.

I gather these two taxes, which are brand-new taxes, will add considerably to your costs, to such an extent that you feel that the parking rates that you are able to charge will have to be increased greatly. What percentage do you estimate they would have to go up in order to make it a viable operation?

**Mr Connor:** That is a difficult question to answer because we are still working out our budget and how we might impose the tax. In the early part of my presentation I said if you added the cost on to a monthly parking pass, it would be a 60 per cent increase in the cost of the pass. I think we ballparked it, and roughly, on average, we would have to come up with an additional \$1 per day per space to pay for the tax.

**Ms Bryden:** I gather that would probably mean that a lot of your parking would disappear altogether and, therefore, it would not be achieving its objective of maintaining the viability of the downtown.

**Mr Connor:** I think it would work out roughly to a probable 20 per cent increase in our parking fees.

**Ms Bryden:** These two taxes, of course, were put in as brand-new taxes to raise money to replace the premium income and to replace some

other income that the province seemed to think it needed. Do you think they should have looked to other alternative sources to get the money they needed to replace the premiums and for downtown development or infrastructure?

**Mr Connor:** I am afraid I cannot comment on the other tax that you have before you. I have not considered that bill at all. The problem we have with the commercial concentration tax on our parking lots is one that you have probably heard from other municipalities. This is the first time that the province has really stepped in to the municipal property tax field to raise money for itself, and I am sure the province has heard from municipalities countless times how strapped we are for finances and how the property tax is our main source.

**Ms Bryden:** Of course it is the provincial taxes that are making the municipalities short of money too, with the new taxes on gasoline, tires and things of that sort.

**Mr Daigeler:** Thank you for coming and speaking to us. As was indicated, you are not the first one who has raised these particular concerns and that is perhaps one of the difficulties. Obviously, every time you do introduce a new tax, nobody does like to pay and everybody likes to be exempted. If we do make an exemption for the municipal parking lots, then I am sure the private parking lots will say, "You are giving them an unfair advantage." I think it is important to realize what the tax is for and I think you are recognizing that you will be benefiting certainly from improvements to the GO Transit. I think Brampton will be benefiting from that.

My question is, do you have daily rates or do you have only monthly rates? In other words, do you have the option of shifting the burden between the person who constantly relies on the parking that you are providing and the person who just uses it occasionally. In other words, you could possibly increase the daily rate more than the monthly rate.

**Mr Connor:** Yes, that is correct. We do have an hourly rate as well as the monthly permit, and I think if the tax were imposed, we would probably look at some combination of increases to both to cover that if we have to. But, I just might add, if the implication of the member's statement is that we are getting our downtown transit terminal because this tax is coming into force or the government is proposing it, I do not know if that is entirely correct.

I have been working on this project in terms of commencing expropriation proceedings for the land we need for our downtown transit terminal



since the fall of 1987, and it is our understanding that we had obtained a commitment from the ministry to assist in funding that project. So I think that project would have gone ahead regardless of whether this tax comes in or not. I will acknowledge, though, that this tax would be a source of how the province could pay for its share.

**Mr Daigeler:** I thought you made a good point there in terms of your first alternative as to how perhaps the province could reduce the commuting pressures in the greater Toronto area that you are saying perhaps create more employment opportunities in the suburban communities. Gilles Morin and I would agree with you, coming from eastern Ontario. We try to have the development go not just to the suburban communities, but farther away from Toronto. I am just wondering, although it may not be within your purview of responsibilities, whether you have any specific projects or ideas in mind here that the province could do in order to create the employment opportunities you are talking about.

**The Chair:** Do you have a comment you want to make to that, or do you want to just leave it there?

**Mr Connor:** I can respond indirectly to the question, I suppose. The city is undergoing a strategic planning process now. We are looking at ways of attracting office development, more commercial development, to our downtown and throughout the municipality, and parking is a key to that. Developers are telling us now, "Jeez, we would love to go to downtown Brampton and build, but we cannot get any tenants to go down there as long as they can go to Mississauga near Highway 401 and what have you." I think that probably the best way the province could assist us to do our job is through the planning process.

**The Chair:** Thank you very much for taking the time to come here and make your concerns known. We appreciate it. The committee will take it into account.

Just before I introduce our next deputation, I would like to acknowledge the presence of Margaret Scrivener, a former MPP. Nice to see you here today.

Our next deputation will be on Bill 47. It is a combined presentation by the Ontario Real Estate Association, the Toronto Real Estate Board and Century 21 Real Estate Canada Ltd. I assume all are coming with one main spokesman.

**Clerk of the Committee:** Three.

**The Chair:** Three main spokespersons. For the purposes of electronic Hansard, we would

like to introduce yourself and those with you prior to beginning. We have 30 minutes for your presentation and do very much appreciate the fact that the three of you have collaborated to make a combined presentation. We therefore have extended the time from the normal 15 minutes to 30 minutes.

**Mr Mouradian:** We appreciate that very much.

ONTARIO REAL ESTATE ASSOCIATION

TORONTO REAL ESTATE BOARD

CENTURY 21 REAL ESTATE CANADA LTD

**Mr Mouradian:** My name is Ted Mouradian. I am the president of the Ontario Real Estate Association. With me today are, on my immediate left, Jamie Gairdner, representing the Toronto Real Estate Board and, to his left, Don Lawby, representing Century 21 Real Estate Canada Ltd. I also have Jim Flood, director of government relations and my first and second vice-presidents in the room, in case there are any questions that we can direct to them.

We are here today to discuss Bill 47, the Employer Health Tax Act, and its ramifications to the real estate industry in Ontario.

Organized real estate supports the government's intent to provide all Ontarians with universal access to quality health care. OREA represents 54,000 working men and women in this province and we understand that our health care system benefits the people as well as the employers in Ontario. We are more than prepared to pay our fair share, but we are here today to point out that, as proposed, Bill 47 takes a share from this industry that is patently unfair.

As I trust you are aware from our written submission and the concerns raised by others in our industry, the proposed health tax act will have a profound impact on the productivity of real estate companies in Ontario and their ability to contribute to the economy of this province.

Real estate firms operate in a somewhat unique fashion that sets them apart from other business enterprises. The most significant difference is that the real estate industry is a pure service business. Most firms in Ontario receive the vast majority of their revenue in the form of real estate commissions. That revenue is normally split between the company involved and the individual salesperson responsible for the transaction.

**1550**

In order to attract and keep good salespeople, many real estate firms pay out over 80 per cent of their revenues to salespeople on any given



transaction. In some cases salespeople receive 100 per cent of the commission revenue and pay only a desk rental fee to the firm itself. Out of this commission share, employees are often required to pay substantial expenses, such as advertising, stationery, automobile and sometimes office facilities. We can fairly estimate that between 70 per cent and 80 per cent of a real estate firm's gross revenues are actually expenses for the employer and paid out as commissions for licensed salespeople.

From the standpoint of individual real estate firms, that leaves some 20 per cent to 25 per cent of gross revenues available for traditional overhead, including salaried staff, heating, hydro, rent, advertising and profit. In fact, we estimate that corporate profits are currently in a range of five per cent of gross revenues. We understand that a tax of 1.95 per cent on gross remuneration paid may not be a significant amount in a high-technology manufacturing industry, but we must point out to the committee that such a tax amounts to between 25 per cent and 40 per cent of corporate profits in the real estate industry.

That is a tremendous amount of money and in our view is disproportionate to the contributions demanded of other business sectors. In fact, as a percentage of revenue, this industry is being asked to contribute three times as much as the manufacturing sector. We know of no other industry or profession that will be hit harder than the real estate industry if Bill 47 becomes law. There may, however, be others equally hard hit.

Finally, we have one additional concern with respect to the legislation and the government's intention to ensure that all employers contribute a share of the financing of health care. A tax which allows an exemption for self-employed people, including doctors, lawyers, architects and others is neither fair nor equitable. Legislation at the federal and provincial levels already binds the real estate industry to definitions of employee-employer relationships that are not equitable. This association is not in the business of recommending tax increases for any sector of society, but we do believe that if increased taxes must be proposed, they should, at a minimum, be fair and equitable.

To reiterate, a tax that takes some 30 per cent of profits from an industry that operates at a five per cent profit margin can be the death knell for many real estate firms in this province, and a firm that is out of business can neither contribute to health care nor to the economy as a whole.

If you will permit me, let me be graphic. Here is a cheque that represents about a \$1,000 income

into a normal real estate operation. If we take that and tear it off at approximately the \$750 mark, this goes out as an expense directly. It is sort of an in-and-out item. What you are asking us to do in the proposal is to pay tax on this full amount, plus some on this amount that is left over. That is the way the industry operates.

We have a number of other concerns with respect to the legislation that are outlined in our written submission and that I am sure will be touched on by other groups to appear before you.

So then, what do we recommend to ensure adequate health care funding and an equitable application of the health tax to all business sectors? We respectfully submit that commissions payable by the broker to the agents are treated as an expense and that the employer health tax be levied on the remaining gross income. In the documentation we leave with you today we illustrate how such an application of the health tax will result in an equitable tax rate effect of 10 per cent on both manufacturing and the commissioned service sector.

As you can see, we demand no special treatment; we seek only a level playing field so that the real estate industry in Ontario can continue to be a viable, contributing business enterprise in this province.

I would ask Mr Gairdner for a few comments from his perspective.

**Mr Gairdner:** I am Jamie Gairdner and I represent more than 26,000 members of the Toronto Real Estate Board who are upset about the manner in which the new employer health tax will be levied.

Before I begin, I would like to emphasize Mr Mouradian's point that the real estate industry, and members of the Toronto Real Estate Board in particular, do want to be full and equal contributors to the funding necessary to provide an accessible, quality health care system. However, the proposed method for levying this tax is so inequitable that it could very well force the real estate industry to so completely restructure its business operations that it may fail to contribute fairly to the health levy. Allow me, please, to elaborate.

Real estate firms operate with very narrow profit margins. I believe that point has been graphically illustrated by Mr Mouradian. In many instances even a one per cent change in commission is sufficient to threaten the viability of some firms.

Furthermore, within organized real estate, there are two distinct forms of organized brokerage. First, there is the traditional form of

brokerage that pays sales representatives a portion of total commissions earned. As you have seen in Mr Mouradian's illustration, within the industry these commission expenses amount to between 70 per cent and 80 per cent of the broker's total commission. Second, there is the alternative form of brokerage where sales representatives operate as independent contractors. This latter form of brokerage is exempt from the provisions of the employer health tax levy and represents 15 per cent of the total Toronto Real Estate Board membership.

As early as five years ago, independent contractor firms were an insignificant component of organized real estate in Toronto. It is quite clear that there has been a dramatic migration of representatives from traditional to independent contractors. Once again, independent contractor firms are not subject to the new employer health tax levy.

In our opinion, it is quite clear that given the nature of the greater metropolitan real estate market, which represents more than 60 per cent of real estate activity in the entire province, this migration pattern will most certainly be accelerated by the introduction of this legislation. You do not need a PhD to see that if this migration increases, tax dollars for the provincial government decrease.

Rest assured that the comments I have made are no mere speculation. You will be hearing from representatives of Century 21 who will support these statements. In addition, in the gallery today are representatives of major traditional real estate brokerages who are concerned about the migration of their sales forces and the economic impact of the employer health levy.

In an effort to remain viable, many real estate firms are currently examining the need to restructure as independent contractor firms. This is very scary. It changes things rather drastically. Translated, that means fewer tax dollars contributed to health care funding.

Another important point is that our industry has been working closely with your colleagues in the Ministry of Consumer and Commercial Relations to strengthen, not to weaken, the relationship between brokers and sales representatives. In other words, to safeguard the public interest, both myself and the ministry would like to see brokers have greater control of their sales force, not less. But if the entire industry is pushed by this new tax to restructure itself along independent contractor lines, the brokers' stature will be eroded and the Ministry of Consumer and Commercial Relations will lose its influence over

the industry. The industry is self-regulated and extremely professional.

In conclusion, there are two viable options that would alleviate industry concerns and also strengthen the legislation. The first, already suggested by Mr Mouradian, is the creation of a level playing field, simply by treating all commissions to the brokerage firm as an expense. An alternative that the committee might wish to consider is a cap. The choice is yours. We are very concerned about this and would appreciate your consideration, but let's not kill the chickens, for we all need the eggs.

**1600**

**Mr Mouradian:** Mr Chairman, I would now entertain the Century 21 submission from Don Lawby.

**Mr Lawby:** I represent Century 21 Real Estate Canada, but more than that, I represent 199 franchisees who have offices throughout Ontario. To give you a picture of our organization, for the average salesperson in Century 21—in this province we have about 5,200 of them—his average take-home would be around \$33,000 per year, and an average Century 21 office so far this year would average about \$928,000. This is a small entrepreneurial business. We have offices in North Bay, Sudbury, Ottawa, Kingston, Toronto, all over the province.

I would say that on behalf of the brokers and salespeople, we are in support of Bill 47, but we want you to take a look at our industry and how it is structured, and the real estate companies within that. A real estate broker really is in the business of hiring salespeople to go out and market other people's property and earn a commission. That commission comes into the company and then it is disbursed.

I would ask you to please turn to chart 1 of the material that I handed you. It really does point out an anomaly when you compare us to other industries. We have taken not a manufacturing industry, but we have compared Century 21 with National Trust, the Bank of Montreal and London Life. There are three things that we have used. First, the top grid shows the profitability in each industry; second is the breakdown of other expenditures, and third, the dark figure is the payroll costs. We estimate in Century 21 that we are paying about 70 per cent of our gross out to salespeople, which shows, just by looking at the chart, that there is a significant discrepancy.

Also, if you want to turn to chart 2, it gives us a breakdown of where the revenue money goes. Most of the money in a real estate office is spent paying the salespeople a commission. Then it



breaks down from general expense to profitability. In Century 21, I would say that we are looking at a profit picture somewhere in the neighbourhood of about 10 per cent.

I now would ask you to turn to the next page, which is an actual financial statement of a broker from the Georgian Bay area. In 1989 this broker did \$1,587,994 worth of gross commission. He paid out in commission to his staff over \$1 million, and at the end of the year he had a profit picture of \$38,160. We have used as an example 1989; the year-end was 31 May. We have applied the employer health levy and worked the figures. If we were to apply the levy to this broker, the office would have contributed \$24,490. There would have been a reduction in profit from \$38,160 to \$19,109. We are hoping that it was not the intention of the legislation to have that type of effect on a small independent business, and that is the effect it would have on this particular office.

The thing that we are saying, similar to the Ontario Real Estate Association and to the Toronto Real Estate Board, is that the majority of commissions that come in are passed right through the organization and are passed on to salespeople. What is left within a company is somewhere in the neighbourhood of 25 per cent to 30 per cent, with which to handle all overhead and other expenses and to gain a profit. By implementing the tax, it will have a drastic effect on our industry.

In addition, the industry is complicated. The industry has an employee-employer relationship for part of the industry and also an independent contractor relationship for part of the industry. In some cases that relationship happens within the same office, and it varies and happens in many forms of the industry. We would have offices that qualify in both areas. By implementing this tax, it is going to cause a very unlevel playing field. Organizations are going to have to deal with that. We are asking, along with everyone sitting at this table, that you consider an amendment to the act to look at the anomaly and clarify the position so that we can have a vibrant industry.

**Mr Mouradian:** That concludes it. If you have any questions, we would be happy to answer them.

**The Chair:** We have two questioners right now. Ms Bryden is first.

**Ms Bryden:** You say that you favour Bill 47 and that you want to pay your fair share, but are you not asking us to define commissions to be treated as an expense that would actually mean the industry would not contribute anything to the

employers' health tax, or that only the people who are independent contractors—they are already exempt according to you. Therefore what I am saying is, are you not saying that the other 85 per cent would not pay any tax or have any tax paid on their behalf under Bill 47?

**Mr Mouradian:** In our presentation we gave an example of two \$10-million operations, one a service industry and one a manufacturing industry. What we are suggesting is that, according to our figures from accounting firms, the average manufacturing industry pays out about \$2.5 million on a \$10-million income. Our industry pays out \$7.5 million. What we are asking is that you consider amending the proposal so that we pay on our net revenue; in other words allow the commissions to go out, which will bring us down to the \$2.5 million and bring us equal to every other business sector in the province of Ontario paying approximately 10 per cent of its bottom line, instead of 30 per cent of its bottom line. We are just asking to become equal.

**Ms Bryden:** There are so many anomalies in this act that do not create a level playing field, such as the self-employed who are completely exempt, so that all lawyers' earnings in the law firms are not subject to any of the health tax. They pay nothing on that except on their secretaries' payroll. Also, other businesses could convert their operations the same way that you are suggesting you could so that everybody would be on commission and therefore the true earnings or profits that the industry generates would not be subject to tax. Is that not what is likely to happen with this kind of flawed legislation that is so difficult to interpret and so unclear as to whether the tax applies to a different kind of operation such as yours in the same way as it applies to a manufacturing industry? It is very difficult to compare the things. Is that not true?

**Mr Mouradian:** I think that in answer to that, we suggested in our brief that the doctors and lawyers and everyone be included. We do not think there should be any exemptions. By the same token, we also think that we should be treated with the same percentage rates as everybody else, and as it stands right now, we are not.

**Ms Bryden:** I may have another question later, if there is time.

**The Chair:** If we have time, I will come back to you.

**Ms Bryden:** There were three presentations at once.



**The Chair:** Yes, that is true.

**Mr Daigeler:** First of all, I congratulate the deputants on doing excellent homework. You have obviously researched the matter very carefully, and not only today, but before, have met with the ministries concerned and made your viewpoints known to the officials and to the political level.

1610

I would like to make a comment and then perhaps ask a question. First of all, I think I would say to any persons considering independent contractor status or self-employment in order to avoid the employer health tax that they should not hold their breath. The government does realize that there is a difficulty there, and since this does require negotiations with the federal government, we certainly are considering what can be done in that area. I would expect that in the not-too-distant future we will see changes that depend on negotiations with the federal government, so I would not say there should be a big stampede into the self-employment or independent contractor status category because of that.

My question really relates a little bit, I guess, to what I just said. You are saying, and obviously you are right, that in your industry—and I am looking here at notes from your presentation, Mr Mouradian—normally the revenue is split among the company involved, the broker and the individual salesperson responsible for the transaction.

My question is, would it not be possible for the broker, the company and that individual salesperson to look at their commission structure and say, "Well, the broker has a new cost here and it ought to be reflected in the way we structure our commission and come to a different kind of arrangement that reflects the new reality"? But really, that cannot be done internally by your industry.

**Mr Mouradian:** We have had discussions with the labour people and we understand that that is not as easy as it sounds, changing contracts with somebody in midstream to avoid the tax or pass the tax back to an employee, especially without the permission of the employee. It is something that we could get into very deep trouble for.

We have looked at that avenue, and as we know now, it is not that easy and you cannot just say, "I'm going to take two per cent off your commission from now on." Apparently we cannot pass it on directly to our salespeople, first, without their consent, and second, to avoid the

tax, because it is an employer tax. Maybe the other two gentlemen might have a comment on that.

**Mr Gairdner:** I think what Mr Mouradian is talking about is the anti-avoidance tax that says anything you do that even closely compares to the 1.95 per cent EHT would allow the government to come in and roll it back.

May I also say, Mr Daigeler, that if this tax were allowed to come in, in relation to the rest of the industry it would mean that the real estate industry per se will have a 20 per cent reduction in its net worth? Its value will disappear by 20 per cent approximately 1 January.

**The Chair:** Mr Daigeler, do you have anything else?

**Mr Daigeler:** If there is time, I think we will come back again.

**Mr McCague:** It appears that the industry will be asked to pay about three times what some industries will be asked to pay, that there will be devaluation of the real estate business, if you put it that way, and that some people will have to reorganize in order to—what is the right word?

**Interjection:** Evade or avoid.

**Mr McCague:** They may have to reorganize. Therefore, it seems that there is an unfairness to this. I would like to hear from Mr Orsini of the Ministry of Treasury and Economics why we could not do something, such as one of the two alternatives suggested by the industry, in the interests of fairness.

**The Chair:** Mr Orsini.

[Applause]

George, did you orchestrate that?

**Mr McCague:** You are damn right I did.

**The Chair:** Mr Daigeler, you had a concern?

**Mr Daigeler:** I am not quite sure whether it is fair to ask a ministry official a question that is not a technical question.

**Mr McCague:** It was yesterday.

**The Chair:** I think Mr Orsini has been asked a question and he can attempt to give a response.

**Mr Orsini:** I understand the question. It relates to the self-employed issue. As the Treasurer (Mr R. F. Nixon) indicated on a number of occasions, that issue is under review and there are a number of options being considered, one of which refers to involvement with the federal government. At this stage, we cannot say which option it would be or what the status is. That would be a decision left to the Treasurer to make at the appropriate time.

**Mr McCague:** So you are saying that in order to accommodate the request of the real estate people, you have to have the co-operation of the federal government?

**Mr Orsini:** Not necessarily. That is one of many options that we are considering.

**Mr McCague:** And the real estate people can leave today knowing full well that you are considering this?

**The Chair:** Mr McCague, in fairness, I do not think a cross-examination is in order. You asked a question and I think he gave you a fair answer.

**Mr McCague:** This is a fair question. The point raised is being considered, is that what you are saying?

**Mr Orsini:** Yes, and I understand that the Ministry of Consumer and Commercial Relations is currently reviewing the Real Estate and Business Brokers Act. They are looking at the whole issue of the employer-employee relationship.

A number of provinces prohibit independent contractors. Quebec does not, and it has a higher payroll tax of 3.36 per cent. We have talked to Revenue Canada and I know Century 21, for example, has employees in Quebec with the much higher payroll tax, so you can exist with having employees in the industry. Whether or not Ontario wants to move in that direction of prohibiting independent contractors, that is for the industry and the Ministry of Consumer and Commercial Relations to negotiate, but there are other ways in which the ministry can deal with that issue.

**The Chair:** Thanks very much. Are you finished with your questions, Mr McCague?

**Mr McCague:** Yes, thank you.

**Ms Bryden:** I have another form of question, really. You are aware that part of the description of this bill is that it was to revise the requirements respecting the payment of premiums under the Health Insurance Act. I think all parties are now agreed that the OHIP premiums were in a very bad state of disarray—there were something like twice as many OHIP numbers out as there were people in the province—and it was time to revise that system. It was also a very regressive tax which hit families harder than, say, single people.

That was the objective and we had to replace \$1.8 billion of OHIP premium money that was coming to the province in 1990. The employers' health tax levy is one method of doing it, but it seems from what we have heard that it is not very well drafted and it is going to create inequities

and unfairness. It is also a very discriminatory tax in that it hits labour-intensive industries, of which yours is one.

Since it is so difficult to be fair in a payroll tax, why not reject this proposal and go to income and corporation taxes, which are based on ability to pay and where a great amount of revenue is being lost because of the loopholes in those taxes? Surely some of that revenue could be picked up to pay for these premiums.

**The Chair:** Does someone have a response to that?

**Mr Mouradian:** Not really. I do not think we really tackled it from that end. Our main concern is that we are looking at two aspects: a cap, and bring everybody into the picture to make it fair for everybody, including corporations, including the loopholes for self-employed people, and treat us the same as everyone else.

**The Chair:** Mr Daigeler, you had one final question?

**Mr Daigeler:** Just a brief one. Mr Gairdner, I think, said at the end that if this goes through, there would be a 20 per cent drop in the value of their real estate companies in Ontario. Why would that be the case?

**Mr Gairdner:** You would use a multiple of, let's say, five per cent. When buying or selling a business of any sort you use that multiple, and if you use that on the real estate business, it would drop about 20 per cent of the value of the corporation because the income is not there any more. It is gone for an inequitable tax.

**Mr Daigeler:** Yes, but you are assuming that the income is gone. I think we already said there are different arrangements—and you acknowledge that yourself—that possibly can be made with your sales agents.

**Mr Gairdner:** I did not say that.

**Mr Mouradian:** No, if the tax goes through the way it is proposed right now, as far as the real estate industry is concerned, a majority of the companies in Ontario will drop by that value because of the increased bottom line that is going out. You only purchase something on the profitability of it.

**Mr Daigeler:** I understand that, but my argument—

**The Chair:** I do not want to entertain a debate back and forth; they will think this is question period. I would also like to thank all of you for coming here today.

On a personal note, I might just add that any agents I have talked to, having been one myself



for over 20 years, have really reiterated the point that you do not want out of the tax, you just want it to be more equitable and you are prepared to support the bill.

**Mr Mouradian:** Absolutely.

**The Chair:** We appreciate your coming today and taking the time to make your presentations and particularly for the consolidated effort.

I do not know if Mayor Trimmer has arrived. We did get a message that the mayor was late. We will just take about a 60-second break to allow the room to clear. Could I ask you to have your meetings in the hall, please? We still have additional work to do this afternoon, as I am sure you all do.

The committee recessed at 1624.

1626

**The Chair:** Let's resume the meeting. We do have a request by Ms Bryden to introduce an item and make a request of the committee. Perhaps you could do that at this time.

**Ms Bryden:** I would like to ask permission of the committee to table a letter written by Mr W. J. Fry, executive director, John Howard Society, 94 Bruce Street, Oshawa.

Mr Fry wrote to MPP Mike Breagh, who is his member for that area, regarding the employer health levy and how it would affect his operation in a particular way, as we have been hearing from many other people. Without going into the details of what he is asking, I would like permission to table both his letter and Mr Breagh's reply to it, just as a written submission to the committee, if that is agreeable.

Agreed to.

**The Chair:** The next presenters are supposed to be from the city of Scarborough, but I understand they have not arrived yet. The mayor is apparently delayed but will be here.

**Mr Daigeler:** Bad roads?

**The Chair:** It must be the roads, yes.

We will go to a presentation by Jet-A-Way on Bill 46. Caroline Horkins, I believe, is the representative. Welcome. Did I have your name correct?

**Mrs Horkins:** You do. I believe you all have copies of the material.

**The Chair:** Yes, we do. We have set aside 15 minutes, which should include time for questions, hopefully, if that is possible.

**Mrs Horkins:** I think that will be sufficient.

#### JET-A-WAY

**Mrs Horkins:** I am a lawyer for Keybo Holdings Ltd, which is Jet-A-Way, a parking lot

that is carried on at the airport premises. They have asked that I appear on their behalf today to make submissions regarding Bill 46.

By way of background, let me first give you a brief description of the business that Jet-A-Way carries on. As indicated, they have a public parking lot at Pearson International Airport which they have operated since October 1985. The parking lot is approximately two miles away from the main terminal buildings and is located on land owned by the federal government. The company employs approximately 100 individuals and has a yearly payroll that exceeds \$1 million.

As you might appreciate, the service that this company provides is a parking lot on a 24-hour basis with full service and security for customers who are travelling out of the airport. They have the opportunity to leave their vehicles there overnight rather than take a limousine, a taxi or whatever other transportation is available.

Jet-A-Way leases the land from the federal government. They have a lease which expires on 30 September 1990. The lease provides that there is a further year-to-year extension up to a maximum of three years. The size of the lot, and this is important in terms of determining what the anticipated tax would be to this company, is eight hectares of land. That is roughly computed to impose a tax of \$860,000 a year on Jet-A-Way. The breakdown of that calculation is in the material.

The year-end for Jet-A-Way and the end of the lease is coming up 30 September 1990, so my clients are concerned about what financial impact the tax is going to have on their business in the next calendar year, up to the end of the lease. In that period of time, they will have to pay \$645,000, if this tax comes into force, until the end of the lease.

Leaving the tax aside, in order to understand how serious this tax is going to be for Jet-A-Way, you have to appreciate the position it would be in regardless of this tax. They had forecasted and budgeted for a loss of \$500,000 in the last year of their lease. They anticipated that they would be able to recuperate that loss by exercising the three-year option on the lease. It is Jet-A-Way's view that it will be prevented from doing that, that it will be financially impossible, given the proposed tax together with the loss that was already budgeted for.

To be quite blunt about it, it is their view that if they have to pay this tax and run their business as they had anticipated they were going to run it,



they will have to close their doors. They will be forced out of business.

They have provided the statement of income for the years ending 31 October 1988, 1989 and 1990. That material is at tab 3. The key year is the one that is coming up, the year ending 31 October 1990. Together with the already anticipated loss of \$500,000 and the impact of this tax, they will lose, if they have to continue operating under this condition, \$1,113,256.

I am sure many of you ask, "Well, can that situation be avoided?" Their source of revenue of course is the parking rate. What do you charge the customer who comes in? They do not believe this loss can be avoided. You can only raise parking rates so much. Forgetting about the \$500,000 loss they will have to face, they will have to raise their parking rates at least 35 per cent to cover the tax alone. Of course, this assumes that business will stay the same. If business drops, the percentage increase will have to be higher.

Jet-A-Way also does not have unlimited ability to raise its rates. Under the terms of their lease with the federal government, the parking rates have to be approved by the airport general manager. As a matter of practice, the airport general manager has required that the rates not be any higher than 75 per cent of the rates charged in the federally run parking lots in the terminal buildings. They always have to be charging less than the terminal building parking rates. At a certain point in time, a customer is going to choose to take another means of transportation. There is only a certain degree to which you can raise your rates.

Jet-A-Way has four main points to make in opposition to this bill that it is so concerned about. The most serious one is that it cannot compete in this environment. Jet-A-Way will be forced to close its business should this tax be imposed.

Second, they employ 100 people at the parking lot at the airport and these people will be unemployed.

Third, they believe that this bill is unfair and discriminatory. Consider who they compete with. Their main sources of competition are the taxis, the limousines, the buses and the federally operated parking lots in the terminal buildings. Those companies, those entities, are not subject to the tax. How can Jet-A-Way continue to operate in that environment?

Fourth, the service Jet-A-Way provides is a very positive one to the airport community. It encourages people to take the car in and leave the

car there, rather than adding another taxi ride in and out, adding to the constant flow of traffic which is a problem at the airport. If Jet-A-Way is not there and if Jet-A-Way cannot afford to run this parking lot, who can afford to run the parking lot?

The last point I wish to make is this: Jet-A-Way values its customers and over the last few weeks it has collected the signatures of 9,280 of its valued customers who have voiced their opinion and taken the time to sign this petition in opposition to the bill, because they are interested in the service Jet-A-Way provides and they do not want to see an end to it.

Perhaps I could take a moment to read this petition. This is for your records and the face copy is provided at tab 4:

"Whereas the new land concentration tax introduced by the Ontario Liberal government will create extreme hardship on Jet-A-Way Airport Parking and other similar corporations in the Metropolitan Toronto area; and

"Whereas it is blatantly unfair that people and businesses in the greater Metro area should be charged taxes by the provincial government which are not levied on people and businesses in other municipalities of Ontario; and

"Whereas this levy will mean extra costs to the consumers of our business and loss of jobs to our employees, we ask members of the Legislative Assembly to tell the government that the land concentration tax, Bill 46, should be rescinded."

The key point here is that there will no longer be a Jet-A-Way if Jet-A-Way has to pay this tax.

Those are all the submissions I have to make.

**Ms Bryden:** I am very glad you came before us to point out the draconian way in which this proposed commercial concentration tax will affect your business. In effect, it appears it will put it out of business and it is providing a very valuable service to people who use the Lester B Pearson International Airport by relieving parking elsewhere, as well as providing people with the convenience of a place to leave their cars, have them picked up and taken to and from the airport.

I think what you tell us indicates that when the government and the provincial Treasurer (Mr R. F. Nixon) adopted this idea, they appear to have done very little homework on how a tax of this sort would affect industries like yours. I am rather surprised the Ministry of Revenue has not yet proposed an amendment, at least not to my knowledge, that would change this situation because I think it is highly discriminatory to put this tax on your kind of industry.

I know they are saying, "No exemptions," but that is what these hearings are for, to see if the situation could be changed so that your business can continue. I have a feeling it would be better for them to start from scratch, withdraw this untried tax that has not been adequately researched, apparently, by the ministry or officials and get on with replacing the OHIP premium money with some other form of taxation. Would you feel that it does need complete revamping as far as your interests are concerned?

**Mrs Horkins:** Revamping in the overall scheme of things, yes, in order to eliminate the problem my client is confronted with. The bill has to have an exemption, but that does not leave aside the fact that it is probably unfair to many other parties. I am not familiar with the concerns of other parties. In so far as Jet-A-Way is concerned, and my understanding is that Park'n Fly is in the same predicament—

**Ms Bryden:** Yes, they were here.

**Mrs Horkins:** —it is unfair that it operates in a situation where its main competition will not have to deal with this. I really cannot speak for anyone else. As far as they are concerned, something has to be done.

**Ms Bryden:** Just as a comment, I think we should be looking at other, alternative ways of raising this premium money.

**Mr Fleet:** I found the presentation very interesting for a variety of reasons. One of the things that strikes me, though, that is a little hard for me to understand totally, because I do not pretend to understand of the industry, is the sense of its being discriminatory, to use your language. I understand this tax is going to be applied against all commercial parking lots in exactly the same way within the GTA and that, I would have thought, is the competition or at least part of it.

The other thing I do not understand in what you are saying is that a business is losing money and was going to lose more money and was going to get out of it because it was going to have an option to kick in and somehow magically make more money. I presume that involves renegotiation.

**Mrs Horkins:** There is more to it than that, if I could elaborate on that point so that your concerns are answered.

**Mr Fleet:** Please do.

**Mrs Horkins:** In any lease situation you negotiate your payments over the entire lease period, which is what Jet-A-Way did. It just so happens that the lease payments in this situation are heavy at the end and were light at the

beginning. In terms of the overall scheme of things, this was not an unprofitable business to be in, but it happens to be an unprofitable year if you look at it in isolation.

It was a budgeted forecast. It was allowed for when the lease was negotiated. When the lease was negotiated it was not anticipated that there would be a tax to deal with. To suggest that they are operating a business at a loss and so we really do not care about them anyway is not the point, because in the overall scheme of things it was part of the parcel, part of the deal, when the lease was negotiated with the federal government.

**1640**

**Mr Fleet:** Well, my point is simply that—

**The Chair:** Mr Fleet, we only have time for one question per customer.

**Mr Fleet:** I guess I am only halfway through my question because I am trying to understand the relevance—

**The Chair:** We have precisely two minutes left for this witness so perhaps you could very quickly summarize your question.

**Mr Fleet:** All right. I want to understand the relevance of the option because it seems to me the problem here for this client of your law firm is that it cannot easily renegotiate, that it is a problem of renegotiating. The problem seems to be largely with the airport manager and with the way your option kicks in, not with the structure of the tax per se. That does not create the loss. Those kinds of things you are explaining, as I hear it, are created or not created in a semi-artificial way because you have to look at a longer term than that. The business proposition here does not turn on the tax.

**Mrs Horkins:** I would like to address your point on discrimination, though. You cannot compare it to a parking lot operated outside of the airport environment. A parking lot in downtown Toronto does not compete in the same way that Jet-A-Way competes with the taxis, the limousines and the bus services that go in and out, and the parking lots that are not going to be subject to this tax, the federal parking lots. This is a unique situation.

**Mr Haggerty:** Is the federal parking lot exempt?

**Mrs Horkins:** My reading of the legislation is that it is.

**Mr Haggerty:** It is?

**Mrs Horkins:** Under the Interpretation Act, it is exempt. It does not specifically tax Her Majesty the Queen and unless it specifically



speaks to that—In fact, if you go on about it, this is an indirect way of taxing the federal government that perhaps you might not be able to do otherwise.

**Mr Fleet:** We tend to favour this actually, but that is another issue.

**The Chair:** Thank you very much, Mrs Horkins, for coming in and making this presentation to us.

The next delegation will be the city of Scarborough. I wonder if you could introduce your delegation for the purposes of Hansard, please. We then have 15 minutes for your presentation. That includes time for questions as well, so you might want to judge accordingly the time you speak to and the time you permit members for questioning.

#### CITY OF SCARBOROUGH

**Mayor Trimmer:** The presentation is quite brief, but I would like to introduce three staff members who are here with me to answer any questions you may ask that are technical and beyond my capability. We have John Mowry from our treasury department, Ron Gordon from the works department and a third member, Stuart Oxborough.

I would like to thank you for the opportunity to address the committee and hope to impress upon you the severity of the impact that Bill 46 will impose on the users of Scarborough's municipal parking system. I know you have heard this from a number of other people making presentations to you. Further, I wish to emphasize our great concern and indeed displeasure over the provincial government's consideration of invading Scarborough's municipal tax base.

There can be no denying that the proposed tax is regressive, as it clearly increases the inequality of income distribution and therefore is in direct conflict with the principle of fair taxation. Quite simply, the tax is not related to the ability of the end user, namely the taxpayer, to pay.

Although directed at commercial property and commercial parking lots, the owners of these properties cannot be expected to absorb the burden imposed by this tax. Commercial landlords and tenants will of necessity pass this tax on to their customers and clients. The city of Scarborough will be forced to do likewise in the form of higher parking rates.

To this end, the city has already posted notices on its municipal parking lots, notifying drivers that the scheduled parking fee increase is not the desire of the city of Scarborough but has been initiated by the province of Ontario.

Is it fair to expect that future development in Scarborough will finance the vast majority of road and highway transportation projects to service growth in the regions of York, Peel and Halton? Ultimately, it will be the surrounding regions that will benefit economically from this tax.

We have heard the argument that municipal parking lots operate in competition with private commercial parking and therefore should be taxed accordingly. This argument is not accurate and does not reflect the true state of affairs.

The city of Scarborough operates its municipal parking system as a nonprofit entity. Surplus revenue is deposited in a parking reserve fund to be used solely for the development of additional off-street parking. How does this compare with a commercial operator who puts the profit in his pocket?

In examining the proposed Bill 46, it is interesting to note that section 4, which indicates those operations that are exempt, identifies racetracks and seasonal lots as not being required to pay tax. Surely there could be no clearer example of an unfair tax than that which does not apply to racetracks.

What does, however, constitute unfair competition within Scarborough is the provision of no-cost and therefore no-tax parking for GO Transit passengers under the provincial jurisdiction.

In addition to operating approximately 2,600 parking spaces on behalf of the Toronto Transit Commission, Scarborough provides 948 spaces adjacent to the Scarborough rapid transit and Kennedy subway stations. This parking encourages commuters destined for downtown Toronto to abandon their vehicles in favour of public transit.

The provision of this parking is in harmony with the provincial government's policy establishing gateways around the periphery of Metro. These gateways will provide an opportunity for the commuter to transfer from cars to various means of public transit. This encourages a healthy modal split and serves to lessen the burden on the existing roads system in Metropolitan Toronto.

The cost of this additional tax to users of the TTC parking lots in Scarborough is estimated at \$557,000 and to users of the SRT and Kennedy subway stations at \$265,000 annually.

The introduction of this tax is in direct conflict with your own policies as contained in the transportation directives for the greater Toronto area. Scarborough is committed to public transit



in order to serve its residents and yet we are forced to increase daily parking rates on our commuter lots from \$1.75 to \$3, a 71 per cent increase. The obvious impact of such an exorbitant increase will be a decreased use of both parking and public transit, leading to a movement back into automobiles.

People living in the suburbs and the regions need financial incentives to get them out of their cars and into public transit, incentives like low-cost parking. To counter the additional cost, our residential communities will very likely experience illegal street parking in addition to placing a further burden on our crowded roads.

If utilization of our lots decreases substantially, Scarborough will be forced to review its policy on providing commuter parking. The valuable lands on which these lots are constructed would be made available for development. Unfortunately, a reduction in the parking supply will only serve to place an additional burden on the roads and infrastructure that we all know is currently operating at capacity in Metro Toronto.

I wish to reiterate my opening comments by expressing our utmost concern and displeasure over the government's proposed intrusion into the municipal tax base. This comes at a time when municipalities are being forced to make increased demands on the taxpayer as a result of diminishing levels of provincial support for municipalities. For example—

**1650**

**Mr Fleet:** On a point of order, Mr Chairman: I think there is a quorum call.

**The Chair:** Sorry, your worship; we have some bells ringing. Maybe one or two of us could go up and we can carry on. That is enough.

The bells have stopped. You can come back.

**Mayor Trimmer:** I trust you take the time off part of my time, but I really am short.

As I said before, this comes at a time when municipalities are being forced to make increased demands on the taxpayer as a result of diminishing levels of provincial support for municipalities; for example, the approximately five per cent loss in revenue on unconditional grants. Furthermore, the municipalities are facing an ever-increasing burden to provide mandatory programs.

We share the view of the Metro chairman that tinkering with the bill will not resolve the problems. We also share the criticism that we were given no opportunity to voice comments prior to this very late stage in the process. However, we also have great apprehension with the suggestion by the Metro chairman to transfer

the authority to levy this tax to Metropolitan Toronto. To do so would leave the area municipalities with precisely the same concerns that we and Metro are experiencing with the pending provincial levy.

I would strongly recommend that the committee seriously consider the negative impact of permitting Bill 46 to proceed in its present form. However, we do understand the massive cost of enhancing the transportation infrastructure in the Metro area, and the reality that money does not grow on trees and should not grow on transit parking lots if we are to encourage people to use transit.

Consequently, we offer the following recommendations for the committee's consideration:

1. That all municipally owned parking facilities which provide an avenue for commuters to transfer from private vehicle to public transit and are so used be exempt from tax under the provision of Bill 46.

2. That, in an effort to discourage commuters from driving their vehicles into the downtown core of Metropolitan Toronto, all parking in excess of four hours be subject to a commercial concentration tax, with short-term parking being exempt from tax under the provision of Bill 46.

3. That all municipally owned off-street parking facilities controlled by parking meters having a maximum duration of four hours or less be exempt from tax under the provision of Bill 46.

4. That those inequitable exemptions as indicated in section 4 of the bill—namely, racetracks and seasonal commercial lots—be examined with the view to removing their exemption as provided for under the proposed legislation.

5. That a study be undertaken of various United States cities' commuter tax levies deducted via payroll and based on commuter distance.

In conclusion, I urge you to reconsider the implications of allowing this regressive piece of legislation to become law in its present form and I trust that you will seriously consider the recommendations we have suggested to you this afternoon.

**The Chair:** We have that in Hansard but if you wish to submit a copy, we would appreciate it.

**Mr Daigeler:** Thank you for coming and making your views known to us. First of all, I listened very carefully when you gave us a new taxation idea there with regard to a commuter payroll. I am not so sure the opposition would go for it, seeing that we are having a hard time

convincing it of the value of the EHT that we are discussing as well in these surrounding.

My point really is this—and I am not so sure whether it is a fair question to ask but I will ask it anyway—I am a bit perplexed as to why some of the municipalities seem to be very opposed to this initiative but the mayor of Mississauga seems to be in favour of it. Normally—

**The Chair:** I hope we do not get Mayor Trimmer going against Mayor McCallion here.

**Mayor Trimmer:** You will not.

**Mr Daigeler:** Normally she does not hesitate to make her criticisms of the provincial government known. I am just wondering, why is it that Mississauga seems to feel differently from your municipality?

**Mayor Trimmer:** I have not had the benefit of listening to Mayor Hazel McCallion give her presentation, but I have no doubt she has very good reasons for her position. The truth of the matter is that the impact of this is going to be different on various municipalities. It is going to be different in a number of ways. That is why I think you have to give more serious consideration to those impacts and come up with something which is going to please more of us, including Mayor McCallion.

**Ms Bryden:** I congratulate Mayor Trimmer and her city officials for their fine presentation of the municipal point of view on the imposition of this municipal business tax, which is what it is, moving into the municipal field at a time when the province is moving out of grants to the municipalities to a considerable extent, and so leaving them with less money for municipal operations but encroaching on one of their municipal business taxes or their opportunity to have such.

This is counterproductive to the development of gateways where decentralization can occur in the area to reduce congestion, and the development of public transit. I like your comments that commuter lots particularly should not be taxed at a 75 per cent increase—which is what you anticipate in your parking fees—if you are going to encourage people to use public transit and get out of their cars. Yet, there does not seem to be in the bill any sort of variation in the impact of this tax on lots that are remote from downtown as compared to those that are downtown. That is a defect that has to be looked at in the bill.

Since this appears to move into an area of municipal taxation, should not the province concentrate on the areas that it has at its power and the municipality does not have—namely the

income tax field, both the corporate and the personal income tax field—and get what money it needs for the development of infrastructure and transportation through that tax, rather than invading a municipal tax field?

I notice that there is money being evaded by income and corporate taxpayers who do not have a minimum tax in this province. This is a source of revenue that could be touched. Do you think they should be going in that direction?

**Mayor Trimmer:** Certainly the province has a much wider base for access to funding of all kinds. We are very restricted. We have just that one source. We are protective of it because of the impact of other levels of government on that source. However, I think one of the major concerns about the impact of this particular tax is with regard to transit. We have a serious problem in Metropolitan Toronto trying to get people out of their cars and into transit.

If we are not successful in that and in accomplishing more public transit means of transport, this city is going to be blocked solid in five years' time when you have even greater development occurring in the city of Toronto. It means there will be more people living in the suburbs or the regions trying to commute to their jobs downtown. It will be virtually impossible to do so.

**The Chair:** Your worship, thank you to you and your officials for your presentation today.

**Ms Bryden:** Could I just make one comment?

**The Chair:** If it is brief, because we have two other people waiting.

**Ms Bryden:** I appreciate your comments questioning why racetracks should be exempt. In my area there is quite a problem with the traffic problems and municipal problems they create.

**The Chair:** Especially on Sunday, I guess.

Thank you once again, Mayor Trimmer, and to the city of Scarborough for taking the time to come today. We appreciate it.

Our next presenter is the Ontario Automobile Association, here on Bill 47. I recognize Mr Davis. Welcome to the committee. We look forward to your presentation.

1700

## ONTARIO AUTOMOBILE DEALERS ASSOCIATION

**Mr Davis:** I am here to represent the Ontario Automobile Dealers Association and the Toronto Automobile Dealers Association, which represent over 1,000 new franchised automobile dealers throughout the province. We appreciate



the opportunity to make our concerns known to you with respect to the employer health tax to be implemented 1 January.

As small businessmen and businesswomen who have invested in this province within the historical economic framework of the free enterprise system and the entrepreneurial spirit, we wish to express to you our disappointment and our frustration that once again government has intruded into the marketplace and will apply yet another tax upon the limited financial resources of our members.

The introduction of the employer health tax, the cumulative effect of an increased property tax on our market value assessment, business tax and payroll taxes such as Canada pension plan, unemployment insurance, workers' compensation, and the cost associated with new government programs like the workplace hazardous materials information system and pay equity will, in a declining market, undoubtedly mean fewer new employment opportunities, layoffs and, in the worst scenario, closing of dealerships.

There will be a profound economic and employment fallout that will accompany the employer health tax, ranging from an increase in unemployment to increased costs for other benefits that are now given to the employee, restriction on salary increases and, of course, an increase in inflation.

Members of the committee, you are acutely aware that nothing is free in this society. There are always costs to freebies. Ontarians have been made to believe that with this legislation there will be no direct cost to them for health care after 1 January 1990. But the reality is that every person in Ontario will pay indirectly for health care through an increase in the purchase price of a new or used vehicle or any other commodity purchased.

Members of our association believe no valid reason exists to have employees pay for the entire payroll tax. We remind the members of the committee that the CPP contribution and the unemployment insurance benefits which pay for benefits enjoyed by employees are shared costs between employer and employee. Our association believes that health care costs should be shared by employers and employees and we urge the committee to re-evaluate the prospect of shared costs for health care in this province.

The Honourable Robert Nixon has pointed out that the tax rate for health care in Quebec is three per cent and has stated that future treasurers can adjust the tax rate, thus setting the stage for a

continual escalation of the health tax rate. We have grave concerns that in the future the employer health tax will be viewed by the Treasurer of Ontario as a convenient, painless mechanism to generate additional revenues for the Treasury.

In view of this possibility, our association requests that the committee reconsider placing a cap on salaries, similar to the salary cap used by the Workers' Compensation Board in calculating the employer's contribution. We believe this would reduce unwarranted future increasing liabilities of the health tax for employers of this province.

As an industry that is regulated by about a dozen provincial ministries, our members are appalled that the honourable members would support and encourage the unconscionable policy of this government to collect double payments for health care services, paid for through OHIP premiums and through EHT during the first months of 1990. The government of Ontario would not countenance such unscrupulous behaviour on the part of businesses towards the consumers and would quickly enact legislation to prevent such action.

Our membership urges the committee to withdraw the double payment for employers or at least, in the process of the annual reconciliation, allow businesses to gain credit for these overpayments.

Another concern our members have expressed is the perceived injustice of applying the tax rate to the distribution of profit through bonuses to the owners. The dealer-principals will fulfil their obligation to pay the health tax based on their annual payroll when the legislation is passed. However, these are small businessmen and businesswomen who have risked their capital and have invested their time and energy in building a successful business and they believe they are being double billed for health care.

Our members would like to be perceived in the terms of this legislation as nonincorporated businesses so they can enjoy the benefits of their investment. We would request the committee, in light of the fact that self-employed professionals and certain partnerships are not subject to employer health tax, to afford the dealer-principals the same concession so that the distribution of profits through owner bonuses are exempt from the health tax.

Members of the committee, our association believes the employer health tax is an inappropriate concept for health care funding and that Bill 47 should be withdrawn. We would suggest a



special committee of health care experts or even a royal commission should be struck to investigate and recommend to the government more appropriate ways to fund health care in Ontario, ways that are more fair and just for all Ontarians.

If the government is unwilling to take this step, our members respectfully request the committee give serious consideration to our suggestions. We thank you for the opportunity to share our concerns with you. I will respond to any questions you may have.

**The Chair:** For the record, since I introduced Margaret Scrivener earlier, I should, recognize Mr Davis as a former member of the Legislature from the Scarborough community.

**Mr Fleet:** Given your background, I was really quite surprised at the suggestion that there is not a sharing between employers and employees of the cost of health care in Ontario. The employer health tax, if it goes into effect as proposed, would provide about 16 per cent—I think that is the figure—of the cost of health care. The other portion, the vast majority in fact, comes from other revenues; things like income tax, things like sales tax, corporate tax.

So to suggest—and perhaps you did not mean to suggest it as I heard it—in any way that employees are not carrying their fair share of the cost of health care in Ontario is just a long, long way from reality. The reality is that currently the OHIP system has an undesirable impact on people who are on low income. A payroll tax, which is essentially what we have here, is not proposed by anybody as a perfect solution but rather a more equitable solution than what we have now. I think the purpose of this set of hearings is to try to hear about how we might be able to make additional improvements in fine-tuning that.

I think what has motivated the government is to move from something which is not desirable, which is the system of OHIP premiums—

**The Chair:** Do you have a question? I have not heard it yet. "Don't you agree?" would be appropriate.

**Mr Fleet:** Thank you for the assistance, Mr Chairman. That was a wonderful way to put it. I guess it was not a question as much as a comment, but I certainly did not want it to go unchallenged in any respect. I will leave that, given our limited time. My colleagues can ask other questions about it. That is the main reason we are doing this; because we are not satisfied with OHIP premiums and we think this is the more equitable resolution in the long run.

**Mr Davis:** I would not want to be political with this situation—

**The Chair:** Oh, go ahead.

**Mr Davis:** —but I would suggest we did not indicate that Ontarians do not contribute. What I said was that they should contribute to the payroll tax as well, as is already done in CPP and unemployment insurance. We feel it is unjust that a government has suggested that the employer pick up the amount of money that we will be required to pay under the particular health tax levy.

It would seem to me that if the government were truly concerned about the funding of health care, what it would do is strike a royal commission or a public task force to go out and see if there are other mechanisms used to fund health care. You are quite aware, if you have read all the reports, that there are other mechanisms now being used out west and in Quebec. In fact, in some of the western provinces they are moving away from this particular kind of health tax because they see it as regressive and because they find it is limiting the development of business in the provinces. There are other opportunities that together industry, employers and government can look at. I think that has to be done.

**Ms Bryden:** Welcome, fellow member of the Legislature. I appreciate your comments about a new intrusion into the marketplace. You say you expect that auto prices would increase as a result, which seems to confirm the assertion many people are making that this tax will be passed on. That is another reason why it is an improper form of taxation in my view, because you do not know the final instance.

1710

But I did want to congratulate you on attacking very definitely that problem of double premiums in the first three months of 1990, which will be paid under the present law both by subscribers who are billed in December or earlier and by employers who pay premiums through direct payments in December. I am bringing in an amendment to change that situation, because I do not think it is fair that another three months of premiums should, in effect, be collected under the present law, when premiums were supposed to end on 1 January.

I like your suggestion that there should be a reconciliation at the end of the year of whatever is paid by those people and a compensatory repayment or deduction from their tax liability to see that they do not pay that extra premium for three months. I think it is just unconscionable

that the ministry is demanding that they pay that. OHIP premiums are always paid three months in advance, but they surely could have stopped it as of 31 December.

**The Chair:** Do you have a question?

**Ms Bryden:** Yes. My question is, it was not a similar payment, but are you aware that there was also an overpayment in 1989 payrolls being requested of employers by starting the employer health levy on 1 December and, in effect, getting another month's remittances from employers, and that as soon as many of them complained to the government, it was quick to announce that there would be an amendment changing that so that the tax would not start until 1 January for everybody? This shows that the government seems to act when large numbers of employers approach it, but it is not acting on this three-month overpayment. Is there any way we can persuade the government that it should also treat people who are being overtaxed through the double premium?

**Mr Davis:** We are aware of that and spoke to the Treasurer about it. We were concerned about the fact that in our industry we pay bonuses at the end of December and that they were going to be taxed. One of the amendments that came out was that they would be taken care of at the end of the year and that there could be credits given back. We are concerned about the double billing. We think it is unjust and unfair, and in our industry, which is one of the most regulated industries, as most of you are aware, if we tried any of that with consumers, we would be reprimanded very quickly. We think the same should apply.

**Mr Pelissero:** When the members of your association remunerate their salesmen, do they in fact pay OHIP for their salesmen now?

**Mr Davis:** Some do and some do not.

**Mr Pelissero:** You would not have any idea of—

**Mr Davis:** I am sorry, I cannot give you that. It depends on the situation. There are some dealerships that pay the total OHIP premiums and, in response, the employees pay all other benefits. Some split it 50-50 on all benefits. There just is not consistency.

**Mr Pelissero:** What I was trying to get at was, in terms of the ones that pay the OHIP, what does that represent either in percentage or actual dollars to the cost of a car versus what you are claiming in terms of an increase with the employer health tax?

**Mr Davis:** I can tell you that with the introduction of the health levy tax, your car

vehicles will probably go up \$200 more. Some dealerships will see an increase off their bottom profit line of over \$200,000.

**Mr Haggerty:** I believe it was Iacocca, with Chrysler, who said that when this tax is removed, as it is now, it should lower the price of an automobile by \$500.

**Mr David:** Which tax?

**Mr Haggerty:** Chrysler said that.

**Mr Davis:** Which tax? The goods and services tax or the health tax?

**Mr Haggerty:** OHIP premiums now are a pass-through on to each car that is purchased, and by removing that at that level, there should be a lower cost of an automobile.

**Mr Davis:** Iacocca does not know what he is talking about.

**The Chair:** Okay. He is not a witness and we do not have anything on that.

**Mr Pelissero:** Would you be able to provide the figure of \$200 to the committee?

**Mr Davis:** I will try to get that for you.

**The Chair:** That would be helpful. Thanks, Mr Davis, for coming today. We appreciate your taking the time.

Our final presenter of the day is Frank's Swim School Ltd, on Bill 47. Frank Liebmann is the president of this corporation. We have set aside 15 minutes for your presentation and for questions, and we would invite you to begin whenever you are ready.

**Mr Liebmann:** Am I the last one for this?

**The Chair:** The last one, yes.

#### FRANK'S SWIM SCHOOL LTD

**Mr Liebmann:** I would like to be able to present my total anger and disappointment to this committee. I hope you are going to listen carefully. I like to say what I mean. I do not beat around the bush.

I came to this country in 1956 as a Hungarian refugee. I came here and I could not speak a word of English. I did not have any trade. I did not know one single soul in this country. I was extremely happy to be able to come to this country and I started work within one week. I received from a Jewish organization a few dollars. I started working at \$25 a week for 50 hours and I was very happy. I paid for my own health care.

I was extremely happy to live in this country, in a free country, in a country where I knew that I had a future. I worked very hard and I was willing to take nothing; I was willing to give everything.



Today, I am a university graduate. I have taught school for 17 years. I have owned my business for over 20 years. I quit teaching school because I did not want to be a civil servant. I wanted to work much harder than civil servants. I am working very hard. I am paying, and I am willing to pay, for everything I take. And I am very proud of what I have done.

I came from a communist country where medicare was, and is, free. It is a horrible situation. The poor are neglected, ignored, delayed and only people with political connections, who give cash under the table, are properly treated. I went back to Hungary five times in the last year and a half because my parents died there. It cost me a fortune. I gave them, the doctors, money before and during treatment, and to the nurses that they should look after them. You may think this is not true, but it is true.

The medical system, what there is, is a free system, but we know there is no such thing as a free system. We pay for it. Doctors earn less than cleaning ladies; nurses are earning less than hairdressers; but the government of Hungary instituted a new tax on doctors which is called invisible income. On the invisible income every doctor pays tax. Where is this income coming from? From me, from you and from everyone who wants to have a little bit better care or wants to get into hospital or be treated, and this is because of the free medicare.

The complete failure of this concept is demonstrated by long lineups in doctors' offices, in hospitals, in emergency rooms. Health professionals, doctors, nurses and orderlies are demoralized by the fact that they are considered civil servants.

I do not have anybody in my family who is a doctor or a nurse. I am not protecting here one group or another. I am stating the fact that our system is going more and more to the left, to the point where it is becoming very similar to the communist system of health care. I left that system and I would hate to see that system appear, or our good system that we have here become what the communists now, after 40 or 60 or 80 years, are kicking out.

I do not have to go on with this, because I know what is happening in eastern Europe. They want free enterprise. They want people to pay for their own services.

1720

As an individual, I want to pay for the service I receive so that I am able to say, when it is unsatisfactory: "I paid for it. I want more. I want better service." I want to pay for everything I

take. Our health is the top priority in our lives and I am opposed to the principle that government should look after everybody and determine what and how much each individual is entitled to. If I want to pay more because I want better health care, I should be able to pay for it. I know when I say the truth, some people will leave.

**The Chair:** Excuse me, that is uncalled for. Members of this committee are extremely busy. The Legislature is meeting and we are here to listen.

**Mr Liebmann:** That is fine.

Our western democracy is founded on the concept of private enterprise and the value of free choice. Until now, our western health care system has been superior to that of the communist world. Lately, government is nationalizing the health care system and it is causing great damage to the system. The new health tax will, in effect, make Ontario's health care system conform more and more to the communist system, which does not work. It is clear to me—

**Mr Fleet:** Mr Chairman, on a point of order. I have been listening carefully to Mr Liebmann's presentation. I am sure he will want to touch on the parts of the legislation that we are dealing with. I know the time is quite limited here. I wanted to draw that to his attention so we could deal with the parts that—

**The Chair:** That is not exactly a point of order, but I think it is a point that should be listened to. If you could give us your specific concerns with regard to Bill 47, we would appreciate it very much.

**Mr Liebmann:** I think health care in Ontario is going to be in extremely poor shape if this health care tax will go on. It is absurd that employees who earn possibly \$50,000, \$60,000, \$100,000 or \$200,000 should not have to pay OHIP premiums. I know that when they buy gasoline, some of the tax will go for health care, so as previously was mentioned, everybody pays for health care.

If Ontario really needs health care money, why eliminate OHIP payments? Why do you not tell corporations to pay an extra one per cent, two per cent, 10 per cent because we need the money, but why cannot the individual also pay OHIP premiums? I cannot understand it. Is it possible that to receive votes from people, it is easier to say: "You don't have to pay health care. It will be provided to you by employers"? That is, in fact, what we are saying here. Health care tax means that the employee is not paying the OHIP



payment and the employer is paying it. I think that is a terrible system.

As was mentioned earlier, some companies already pay half or some companies pay all of the OHIP payment, and they are not going to suffer. But I and thousands of small businessmen who are going to be hit suddenly with \$4,000, \$5,000, \$6,000, \$10,000 of extra cost are going to suffer. Personally, this is going to cost me between \$4,000 and \$5,000. You may say, "Sure, it won't cost you that much because, after all, you will have some tax benefit. It's only going to cost you \$3,000." But it still will cost me. Until now, my wife and I paid about \$750 a year. It is going to cost me \$3,500 or \$5,000, whichever way you want to look at it. It is unfair.

In my opinion, the OHIP payment should be continued as it was before. If you go into a system where corporations are going to pay for health care, it is going to go up in percentage anyway.

The gentleman said here that Quebec is now paying three per cent. That is not quite true. I just came from Quebec. It used to be 3.17 per cent and it has already gone up to 3.32 per cent. If the government eventually raises it to three and four per cent, I am going to pay \$12,000 or \$13,000 extra, and I will be the one who will be paying OHIP payments for everybody—for my employees, for civil servants, for politicians, for everybody—and besides that I am going to pay for unemployed people or for sick people, which I do not mind paying, but I cannot believe that when people are getting \$50,000, \$80,000, \$100,000 salaries they should be told: "I'm sorry, you are an employee. You don't have to pay any OHIP payments."

Also, I find it unreal that according to Revenue Canada, a self-employed person can make \$1 million and he does not have to pay OHIP payments. I cannot believe that people who are experts on the standing committee on finance and economic affairs would allow that to happen.

The Ontario government shut down the two-tier system on the grounds that Ottawa would withhold transfer payments. Now Ottawa has reduced these same payments regardless, so Ontario is going to squeeze the federal government for its employees so that now the federal government will pay the Ontario government the 1.92 per cent. This will be a large sum of money and big corporations are going to be able to pay these things, but we, the small businessmen, are going to suffer and we are going to go bankrupt.

I employ 53 part-time people; I employ six full-time people. They are going to suffer. I will

have to say to them, "I can't give you the five, six, seven, eight per cent raise any more, because I am being taxed."

You obviously benefit the employees at this point because that is where the bulk of the vote lies. I am sorry to say this, but I told you I will tell you straight the way I think. That is how you get into politics. You are not going to get into politics by increasing OHIP payments, but reducing or eliminating OHIP payments is one way to get into politics and one way to win. I am sorry, that is the way I feel.

I wish the members of the committee would ask questions or discuss it with me, so I would like to give—

**The Chair:** If you would leave time.

**Mr Liebmann:** Yes, I would like to leave time out for that.

**The Chair:** We said 15 minutes and there are two minutes left. I am going to be strict because we have work to do upstairs.

**Mr Haggerty:** I just wanted to make a clarification here. I said something before to the previous witness before the committee dealing with the automobile associations. If you are employed in the automobile industry, the OHIP premiums are paid by the manufacturer or by the corporation. You will find that in other industries in Ontario. But eventually it is passed on through to the consumer, so the consumer is picking up the tab for the whole cost of this. Every time he buys an automobile, that is a built-in or hidden income.

**Mr Liebmann:** It decreased the profits, ultimately.

**Mr Haggerty:** No, this is the way it is now with the OHIP premiums. It is paid for by the industry and when you buy that automobile, the person who buys it, the consumer, is paying for that.

If you are fortunate enough to be working for the government, you are right. They get it free in that OHIP premiums are paid for by all levels of government, pretty well.

**Mr Liebmann:** Correct.

**Mr Haggerty:** But there are other persons out there who pay direct. Perhaps you were one of them in the past. In other words, every time an individual pays direct, really he is subsidizing General Motors and all government employees, because he has to pay the whole freight.

This bill may not be perfect, but it is heading in the right direction. I believe that the government—the Ministry of Revenue, the Treasury—is looking at an area where you can pull in that

person you are talking about maybe making \$200,000. The individual employee will be paying his share. It takes time to move in with federal legislation and provincial legislation. Eventually I believe that it will be included. Maybe not now, maybe six months down the road they would be, because there is a certain area—

**Mr Liebmann:** If I am a self-employed broker and I do not have anybody working for me and I make easily a million dollars a year—

**The Chair:** I think it has been clarified earlier by the staff that the ministry is looking at that situation. I think you have made that point. I have a question from Ms Bryden.

**Ms Bryden:** Thank you, Mr Liebmann, for bringing us your viewpoint very frankly, but what you have really pointed out to us through telling us how this tax will affect your business is that it is a very inequitable tax and affects different businesses in different ways. It is aimed at trying to replace the OHIP premium money, and perhaps it is going the wrong way at replacing that money, because if you say to go back to the premiums, what you are asking for is a tax which is very unfair on low-income people. The single-parent mother with a couple of kids pays exactly the same as the \$100,000-a-year lawyer and that is not fair either, so we cannot go back to that kind of a tax. Everybody is agreed that it is a regressive, unfair tax.

It seems to me the main answer is to find another alternative for that premium revenue that will not affect people the way you are being affected by the employer health levy. That is what I am suggesting, that we should look at income tax and corporation tax and base it on ability to pay. Would you agree that might be the best?

**Mr Liebmann:** I would agree that a person under \$25,000 should not have any OHIP, should get it free. I accept it. But I do not think it takes that much thinking that a bill should not come out saying that a person earning \$50,000, \$60,000 or \$80,000 should not have to. The principle of eliminating OHIP payments is wrong, in my opinion.

**The Chair:** Thank you very much and thank you for taking the time to come and present your views to the committee. We do appreciate it very much.

**Mr Liebmann:** I came in from Montreal to be able to do this because I feel very strongly about it.

**The Chair:** Thank you very much. That concludes our hearings on Bill 46 and Bill 47.

## ORGANIZATION

**The Chair:** I believe 7 December is the day set for clause-by-clause and I believe Mr Daigeler has a motion dealing with the follow-up work of the committee after that.

**Mr Daigeler:** I understand there have been discussions with the three parties and agreement has been reached. We had a brief exchange early last week on what we are going to do with the prebudget dates.

**The Chair:** Mr Daigeler moves that the standing committee on finance and economic affairs requests the following sitting time during the winter recess: the week of 8 January, the week of 15 January and the week of 29 January.

**Mr Daigeler:** If members want me to explain this a little bit, on 9 January we would have a briefing by the Treasurer and the minister is available then and has agreed to come. In the afternoon there is a budget briefing by ministry staff, continued on 10 January, and then public hearings, beginning on 10 January in the afternoon, to be further continued on 15, 16 and 17 January. Then on 18 January we would have instructions to the researcher and, if necessary, on 19 January as well, then on 29, 30 and 31 January, consideration of the draft report. That is what the schedule looks like, and it has been discussed with the members of the subcommittee.

**Ms Bryden:** I gather our member of the steering committee went over this and agreed to it, but our House leader told us this morning in caucus that there would be no committee sittings before 15 January. Have you not heard that? I think this is a House leaders' decision just as of the last day or two.

**The Chair:** If the committee concurs with this schedule, the request has to go to the House leaders tomorrow.

**Ms Bryden:** So you may find that you have to move your dates up and start on 15 January.

**Mr Daigeler:** Can we leave that open?

**The Chair:** We have been told that the New Democratic Party member of the steering committee, Mr Morin-Strom, and Mrs Cunningham have concurred with this. We concur with it. If there is a problem, the House leaders will have to deal with that. We may have to have another meeting of the steering committee.

**Ms Bryden:** Where does Bill 47—no, that concludes before January. It does not show it here.

**The Chair:** Right.

**Mr Daigeler:** Can we not authorize the chairman to move the whole thing up if the House leaders feel that we should not meet before the 15th?

**The Chair:** No, I do not think the chair can take that direction. What I can do and will do is call a meeting of the steering committee immediately.

**Mr Daigeler:** And the committee could make that decision.

**The Chair:** The committee could make the recommendation. We may technically have to do a poll of the committee members. We will work that out. One of the things with the prebudget briefings is that, as a committee, we would like to get into this as quickly as possible. This appears to be the earliest possible day, so could we have a vote concurring with this?

**Mr Haggerty:** Am I correct that you are going to start on 9 January with the briefings as outlined here?

**The Chair:** This is a request going to the House leaders.

**Mr Haggerty:** Oh, I see.

**The Chair:** We have to get their concurrence.

**Mr Haggerty:** But when are we are going to start public hearings? What is the date for that? I want to draw one thing to your attention. Last year when we got into this and finally put our report out, the budget was almost being presented.

**The Chair:** That is why we want to go on this day.

**Mr Haggerty:** That is right, the earlier you get this and get the report in there—if we are going to have any persuasion and recommendation with Treasury, it should be in early.

**The Chair:** We are talking public hearings on 10 January, according to this schedule, which is the day following our briefing. If we can meet this schedule, I quite agree. One of my concerns when I came on as chair was that if we are going to have prebudget discussions, at least they be relevant and not have everything put to bed.

**Ms Bryden:** Are you finished with this topic?

**The Chair:** Well, I would like a vote on this. Shall this carry?

Motion agreed to.

**The Chair:** Do you have another item?

**Ms Bryden:** I request that any further amendments coming from either the government or the other party on bills 46 and 47 get to us as early as possible and not on 7 December, when we will be starting clause-by-clause. If you have them ahead of time, can you make sure we get them as soon as possible?

**The Chair:** And vice versa.

**Ms Bryden:** Yes.

**The Chair:** Thank you very much.

The committee adjourned at 1738.



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## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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**Vice-Chair:** Ferraro, Rick E. (Guelph L)

Carrothers, Douglas A. (Oakville South L)

Cunningham, Dianne E. (London North PC)

Daigeler, Hans (Nepean L)

Haggerty, Ray (Niagara South L)

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Mackenzie, Bob (Hamilton East NDP)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Reycraft, Douglas R. (Middlesex L)

Runciman, Robert W. (Leeds-Grenville PC)

**Substitutions:**

Bryden, Marion (Beaches-Woodbine NDP) for Mr Morin-Strom

Fleet, David (High Park-Swansea L) for Mr Reycraft

McCague, George R. (Simcoe West PC) for Mrs Cunningham

Pelissero, Harry E. (Lincoln L) for Ms Hošek

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**Staff:**

Anderson, Anne, Research Officer, Legislative Research Service

**Witnesses:**

**From the City of Brampton:**

Connor, W. Clay, Deputy City Solicitor

**From the Ontario Real Estate Association:**

Mouradian, Ted, President

**From the Toronto Real Estate Board:**

Gairdner, Jamie, President, Johnston and Daniel Ltd Realtor

**From Century 21 Real Estate Canada Ltd:**

Lawby, Don, Senior Executive Vice-President

**From the Ministry of Treasury and Economics:**

Orsini, Stephen, Senior Economist, Taxation Policy Branch

**From Jet-A-Way:**

Horkins, C. J., Legal Counsel; with Smith, Lyons, Torrance, Stevenson and Mayer

**From the City of Scarborough:**

Trimmer, Joyce, Mayor

**From the Ontario Automobile Dealers Association:**

Davis, Bill

**From Frank's Swim School Ltd:**

Liebmann, Frank, President









No. F-9  
No. F-10

# Hansard

## Official Report of Debates

### Legislative Assembly of Ontario

#### **Standing Committee on Finance and Economic Affairs**

Commercial Concentration Tax Act, 1989

Employer Health Tax Act, 1989

#### **Second Session, 34th Parliament**

Thursday 7 December 1989

Wednesday 20 December 1989



Speaker: Honourable Hugh A. Edighoffer  
Clerk of the House: Claude L. DesRosiers

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 7 December 1989

The committee met at 1020 in room 151.

### COMMERCIAL CONCENTRATION TAX ACT, 1989 (continued)

### EMPLOYER HEALTH TAX ACT, 1989 (continued)

Consideration of Bill 46, An Act to establish a Commercial Concentration Tax, and Bill 47, An Act to impose a Tax on Employers for the purpose of providing for Health Care and to revise the requirements respecting the payment of Premiums under the Health Insurance Act.

**The Chair:** I call to order the standing committee on finance and economic affairs to deal with the clause-by-clause debate on two bills. The first, which hopefully we can deal with in the morning session, would be Bill 46, the Commercial Concentration Tax Act, 1989, and the second is Bill 47, the Employer Health Tax Act, 1989.

Hopefully, as I said, that would be the schedule if the committee concurs, that we would try to deal with the clause-by-clause amendments to Bill 46 this morning and Bill 47 this afternoon.

Are there any amendments to Bill 46, and to which section? We have a number of government amendments, I believe, this morning. Perhaps what we will do is move through these clauses.

Interjection.

**The Chair:** I would like to do that, as a matter of fact. Pardon me, I would like to introduce the honourable Remo Mancini, Minister of Revenue, sitting with me this morning. Welcome to the committee, sir.

**Hon Mr Mancini:** I have some officials.

**Mr Runciman:** I was just wondering who that was.

**The Chair:** Who was that? He is so quiet and self-effacing that I did not notice him. Would you like to introduce some of your officials, minister?

**Hon Mr Mancini:** Jack, can you introduce everyone who is here to assist the committee in their work and the positions of responsibility that we all have.

**Mr Lettner:** Thank you. Mrs Cameron, from the assessment policies and priorities branch, is seated on the front; Mike O'Dowd on my left.

Mike O'Dowd is director of assessment policies and priorities in the assessment program. Gerry Sholtack is director of legal services for the Ministry of Revenue, and Don Black is a senior policy officer with the Ministry of Treasury and Economics.

**Hon Mr Mancini:** And you are Jack Lettner.

**Mr Lettner:** That is right.

**The Chair:** We are all sure now, are we? Do you have any comments, Minister, you wish to make? I do have a point of order from Ms Bryden first.

**Ms Bryden:** I would like to welcome the minister, to start with. It is nice to have him joining the committee at this very crucial stage. My point of order is that in some clause-by-clause discussions in other committees they usually allow the members of the committee to have sort of broad-ranging introductory comments on item one, perhaps just sort of an overview of what we are trying to achieve through the amendment process. Could we have that privilege?

I discussed it with the chief clerk and he said it is done in some jurisdictions, and it has been done here. In other words, a sort of little introductory overview of what we are here for today by each party or committee members, not long but—

**The Chair:** I think that is a reasonable request.

**Mr Haggerty:** Point of order: the hours. We are almost 25 minutes beyond the starting time now dealing with the clause-by-clause of this thing. I am sure that the member can work in a small introduction someplace in her comment to that, but it has been well introduced. Your introduction has been on second reading in the House, and I listened thoroughly to it here the other day. I suggest that not every member can get into something like that. We will never get through with the bill if that happens.

**The Chair:** I will make a ruling, Ms Bryden, if you do not mind, because otherwise we will spend all morning debating whether we should do this or not. I would suggest that each party make a brief, up to five-minute introductory comment, if that is agreeable to us. I do not mean to put closure on in any way, but we do know we

have a lot of work to do. I think it is a reasonable request.

Perhaps what we could do is to ask the minister to give us some opening comments and then we could go to you as the official opposition, then Mr Runciman and then perhaps someone on our side, on the Liberal side, would like to speak. The minister would do it, so then we could handle it that way.

**Hon Mr Mancini:** If I just may, the members of the committee who are here today were in the House at second reading. They heard the comments I had to make at that point in time. We now have a little less than one hour and 35 minutes to do all of this this morning. I will forgo any further comments, but I am happy to answer questions as we go through. I have my top officials here to also answer questions, so I would like to turn the situation right over to Ms Bryden and get the show on the road.

**Ms Bryden:** Thank you for allowing this brief overview. I think we have to realize that we are dealing with a brand new tax. That is why it is very important to make sure that all the clauses are aimed at achieving the objective, which is, I understand, to raise money for our traffic infrastructure and the transportation needs of the greater Toronto area. It has an estimated revenue figure on it, in the budget, of \$125 million, but being new, nobody really knows how much it will bring in.

During the course of discussion, I would say there were half a dozen objections that kept coming up again and again in the briefs and in some of the comments from the committee members. I will just summarize them briefly so that we are looking to see if the bill itself does clarify this.

The first one is that the revenue is not earmarked in any way for the two objectives I mentioned of traffic infrastructure and the transportation needs of the greater Toronto area. It may not meet the objectives and it could be spent on anything since it goes into the general revenue.

Second, it encroaches on municipal property and business tax fields. This is something that the municipalities were very concerned about, everybody from Mayor Eggleton down to other important mayors as well. It creates a new tier of local government by that encroachment, because the administration of this will then go into the municipal property field.

Third, it is a geographically discriminatory tax. The GTA covers five regional municipalities with very different states of development. It will

have a diverse impact on business and residents in the area. It could be challenged under the charter as being discriminatory against certain regions whose conditions are different from other parts of the GTA.

Fourth, the liability for tax appears unclear, and that is where I hope amendments will clarify that liability. Naturally, it being new, the ministry officials could only answer questions that were on "what will happen if?" But we do not really know until the tax is enacted what will happen or who will really be liable for the tax in certain situations. So there is still need for many definition clarifications, although I noticed that the regulation part of the act gives the Lieutenant Governor in Council the power to put definitions in by regulation.

The principal exemptions are not clear either. There are quite a number in the act. For instance, I would question why racetracks are exempted, since they are commercial businesses that operate parking lots as part of their commercial activities.

Fifth, I think it will require a substantial new bureaucracy because it is a new tax and there are a lot of rulings to be made. We have not really found out the extent of that bureaucracy or the cost of that bureaucracy, although there have been a number of questions on that. The ministry may be able to bring us more information on that.

Sixth, it will add considerably to the costs of small businesses. I think that was established very well by the briefs of the small businessmen's associations, the Canadian Federation of Independent Business and other briefs, because they cannot easily pass a tax of this sort on to their customers, especially in the competitive situation in which most of them operate.

Large businesses may or may not pass it on, depending on their circumstances as well, but that is always the problem with a tax on commodities, such as the retail sales tax. It may be passed on and not paid by the actual people liable to the tax.

#### 1030

Seventh, it will discriminate against businesses in shopping malls and shopping centres due to the nature of the leases and the powers of the major stakeholders. I do not whether that is the correct term, but the major businesses that sponsored the shopping mall and got it under way. They have the power to allocate the shares of the tax to the lessees.

Eighth, I think it runs counter to the decentralization approach of Metropolitan Toronto planners and the planners for the greater Toronto

area, because it does not create any incentive to develop regional city centres and stop urban sprawl of industries or coerce them to new city centres.

I am almost out of the list. It runs counter to the transportation needs for the whole of the greater Toronto area because it will discourage commuter parking lots and the use of public transit to the central core. It will add to downtown congestion by huge increases in municipal and commercial parking lot fees, and this will exacerbate the transportation problems and congestion in the greater Toronto area.

Finally, the public sector lots operated by hospitals, universities and nonprofit organizations presumably will be taxed and will add to the cost of operation of those nonprofit activities. Of course, the opposite to that is that employers' parking lots for executives and other employees on their property will be tax-free, and this seems to be favouring the people who are well looked after on parking and discriminating against the people who have to use public parking lots for hospitals, universities, city hall business and that sort of thing.

I think those are the things to which we should be hoping there may be some amendments to cover them. I would just like to say that I also feel that we should have looked at alternatives to replace this kind of tax in order to produce the revenue needed for transportation and infrastructure, and I also would have said that there should have been incentives to increase the use of public transit in the core area as part of the objectives of this tax, although if it is not earmarked, we cannot say that it should go to the Sheppard subway or GO Transit. We should have been looking at tapping other sources of revenue that already have a bureaucracy, such as personal income tax for the higher levels and corporate income tax, where a new bureaucracy would not have been needed. In other words, more progressive taxes should have been put in place if they were needed for these particular services rather than this new, untried tax.

On that note, I hope we will produce a good act with suitable amendments.

**The Chair:** On that note, I have amendments from the Progressive Conservatives, and there are a number of government amendments. Do you have any?

**Ms Bryden:** Yes, I already have tabled amendments to section 40 and section 41. They are in the package, I think.

**The Chair:** Okay, that is for the next bill, I believe.

**Ms Bryden:** Oh, yes, I am sorry. No, I have no amendments to this tax.

**Mr Runciman:** There are a number of reasons the rest of the Conservative Party believes this bill should be opposed, and I will detail those briefly. At the outset, though, I want to extend the regrets of our critic for the greater Toronto area and urban affairs, the member for Markham (Mr Cousens), who certainly has a great deal of interest in this area. But because of the limited numbers of the opposition parties, as you can appreciate, we are stretched very thinly in covering these committees. Mr Cousens is covering the standing committee on public accounts for our party this morning, so I simply wanted to put on the record his regrets at not being able to be here to participate in this discussion.

In our view, and not only our view but certainly the view of a significant number of witnesses who appeared before the committee, the bill will impose for the first time a provincial tax on the property of a junior level of government.

As Mayor Pilkey of the city of Oshawa told the committee in his submission, Bill 46 is "a dangerous departure from the long-established principle that property owned by a municipality and used for its own purposes is exempt from taxation at the provincial level and accordingly results in an unfair tax burden to municipalities."

It was argued again before the committee, not only by Oshawa but by the cities of North York and Toronto, that in their view the bill represents a direct intrusion into the municipal tax field and as such will restrict and limit the fiscal flexibility of the affected municipalities.

I want to quote from a couple of mayors who happen to be very prominent members of the Liberal Party of Ontario. In some respects, the anguish they expressed in respect of this legislation looks good on them, but I will not get into that in any further detail.

Alan Tonks, the chairman of Metro, said it was an intrusion into the municipal tax base. He said: "We are concerned also about the disruptive effect that this tax will have on the public finance system. No matter how you view this, it is clearly an intrusion into the commercial property tax base, which has been the traditional purview of municipal government."

The government, for its part, claims that the tax is not a property tax, but again, as your friend Mayor Art Eggleton argued: "I know that Mr Mancini is saying that the commercial concentration tax is not a property tax. Perhaps a spade is



not a spade either. I have been in municipal government now for 20 years and mayor of Toronto for nine, and I know a property tax when I see one. I say today that the commercial concentration tax is a property tax and the province should not be collecting it."

As I am sure you are aware, the municipalities are very much concerned that the bill simply represents the thin edge of the wedge. If it is passed, it will establish a precedent which the provincial government will use either to expand its intrusion into the municipal tax field or to extend the commercial concentration tax concept beyond the borders of the greater Toronto area.

In its submission, the Toronto Transit Commission said that the application of the tax to public transit parking lots in the GTA is inconsistent with the government's concept of encouraging the development and use of gateways in the Metro Toronto commutership.

The tax is also poorly designed, as evidenced by the number of changes the government has had to make since announcing it in the budget. It is inequitable and was developed without adequate consultation. That is a feature of this government, with so many initiatives that it has undertaken.

The bill will have an especially negative impact on tourism, on hospitality in the GTA. The bill will impose what amounts to a room tax on this very cost-sensitive industry, which will reduce its competitiveness and the attractiveness of the region as a travel and tourism destination.

As noted by the Hotel Association of Metropolitan Toronto in its submission, Toronto hotels already pay, at \$3,257 per room, the highest property tax in the industry in North America. This tax will add an average of \$392 per room to the tax burden on hotels in the greater Toronto area. This is coming at a time when hotel occupancy rates are decreasing. Occupancy rates in Toronto declined by as much as 15 per cent this year. Every five per cent drop in occupancy rates results in a loss of 3,000 direct and indirect jobs. As far as increased costs related to this tax are concerned, it will do nothing to increase occupancy rates and will contribute to job loss in that particular industry.

Bill 46 is so flawed that the government would be well advised to withdraw it. However, from what we have seen and heard up to this point, we know that is not going to happen. The government is determined to proceed with this travesty. If it is, it should at least be prepared to exempt municipal properties and to limit the damage by agreeing to sunset the bill.

1040

**Hon Mr Mancini:** I have a couple of points, not to rebut my colleagues, because they have a very onerous responsibility here at the committee in putting forward the ideas of their respective parties, but just to say that this money that is being used in fact is going to help increase and rebuild the infrastructure in the greater Toronto region. We know that the figures are very substantial. In the greater Toronto area alone it is \$1.24 billion. That is a lot of money to be spent over the next five years.

As to the fact that some municipal officials may or may not like this particular tax, it is their right to be able to object. But some of the comments that have been made, please forgive me, are way out in left field.

**The Chair:** And right field.

**Hon Mr Mancini:** And right field.

I do not want this session to turn into an acrimonious, divisive political debate. We will have comments on every section, as to what it means and what it does, but let me give you one example of how this whole thing has become skewed.

Yesterday and the day before, I believe, the mayor of Toronto and other good officials from this city indicated how parking rates would increase because of the commercial concentration tax. The commercial concentration tax is being levied against all the 98 parking lots, I believe, that the mayor referred to, and it is to raise \$5 million, Ms Bryden. What the mayor and other good officials of the city of Toronto have done is decide to put the onus on the Nathan Phillips Square parking lot. They want to collect 40 per cent of the entire obligation on one particular parking lot. That is unfair to the people who are using that parking lot.

The commercial concentration tax puts a tax on the particular space. We do not keep these things secret. I can show you figures that show that the commercial concentration tax is responsible for \$1.21 per day per parking spot, not the \$10 to \$13 that the good mayor and the good officials have proposed. That is not our doing; that is the doing of the officials of the city of Toronto.

If you divide the 15,000 spaces that are available in the city of Toronto into the \$5 million, you will get the figures I am speaking about. It is not the 30 cents to 40 cents per half-hour that the mayor has been talking about; it is five cents per half-hour if you calculate your days on 12 hours per day, 300 days per year and 75 per cent occupancy. If you use those figures,

which I think are very fair and in many ways underscore the use of those particular parking spots, then you get five cents per half-hour, Ms Bryden, not the 30 cents to 40 cents per half-hour that the mayor and the good officials have decided they should charge.

**The Chair:** Excuse me, Minister. It would be helpful if you went through the chair and we would not have that kind of dialogue.

**Hon Mr Mancini:** I am sorry. I should address all the committee members through you, Mr Chairman.

**The Chair:** That would be appreciated.

**Hon Mr Mancini:** Okay, we will do that.

Do you have some figures there you wanted to tell me about?

**The Chair:** I think committee members are anxious to get on to clause-by-clause.

**Hon Mr Mancini:** That is good. I just wanted to clarify some things that came in from left field and right field. Let's get on with our work.

**Ms Bryden:** I did have one question: Where did the \$5 million which you say you are aiming to get from this particular tax on parking lots—

**The Chair:** I am going to allow that if you want to put a question at some point during the committee proceedings. You can do that, but I think we should begin the process and then, if you wish to ask a question at that point, clearly you can do that.

Section 1:

**The Chair:** Mr Daigeler moves that section 1 of the bill be amended:

(a) by striking out the words "the minister may prescribe" in the definition of "commercial property" and inserting in lieu thereof "may be prescribed";

"(b) by striking out "land" in the definition of "industrial property" and inserting in lieu thereof "land that is constructed to be."

**Mr Daigeler:** The purpose of this amendment is to indicate that a commercial property is taxable even if there is some industrial use to it.

Motion agreed to.

Section 1, as amended, agreed to.

Section 2 agreed to.

Section 3:

**The Chair:** Mr Daigeler moves that subsection 3(3) of the bill be amended by inserting after "unit" in the sixth line "proposed unit."

**Mr Daigeler:** This amendment is simply technical, to make it consistent with the earlier reference in the subsection.

**Ms Bryden:** On the taxation of condominium units, I think the bill is not clear whether all condominium units are taxable or whether ones that are part of another building are not taxable if the other building is taxable. In other words, are individual condominium units taxable or do they have to be part of another commercial building before they are?

**Mr Daigeler:** I had a hard time understanding.

**The Chair:** I think Mr Lettner understands. Perhaps we could have him respond.

**Mr Lettner:** It is only commercial condominium units that are liable for the tax. At the present time, in the greater Toronto area there are no commercial condominium units over 200,000 square feet. It is only proposed that they come on stream in the future.

**Ms Bryden:** If they are over 200,000 square feet, they would not be—

**Mr Lettner:** If they are over 200,000 square feet, a condominium unit—I am sorry, I am wrong on that. Any condominium unit that is a commercial condominium unit would be, because they are all individually owned. But there are none in the GTA at the present time. It is only proposed for the future.

**Ms Bryden:** So you are putting this amendment in for the future.

**Mr Lettner:** That is right.

Motion agreed to.

**The Chair:** Mr Daigeler moves that section 3 of the bill be amended by adding thereto the following subsection:

"(3a) Each owner of commercial property located within the greater Toronto area that is part of a taxable commercial property and that is situated on a separate parcel of land is liable to taxation in each year for that portion of the tax otherwise imposed on such taxable commercial property that the area of the commercial property bears to the area of the taxable commercial property."

**Mr Daigeler:** The purpose of this amendment is to make sure that the tax liability can be apportioned among the owners rather than having the owners themselves having to determine what kind of portion of the bill they have to pay.

Motion agreed to.

**The Chair:** Mr Daigeler moves that clause 3(4)(b) of the bill be struck out and the following substituted therefor:

"(b) by the owners of the units in the same proportion as their interest in the common

elements, if the registration of the declaration and description has occurred."

**Mr Daigeler:** Again, the purpose here is to apportion the tax bill among the owners of the units in the same proportion as they own a share in the property.

Motion agreed to.

Section 3, as amended, agreed to.

Section 4:

**The Chair:** Mr Runciman moves that section 4 of the bill be amended by adding thereto the following subsection:

"(5) Land that is owned or operated as a parking lot by a transit authority, a municipality, or a municipal parking authority is exempt from tax under this act."

**1050**

**Mr Runciman:** In my opening comments, I really covered this concern as expressed by people like Mayor Eggleton, Chairman Tonks and others, that we feel this is an inappropriate element of the legislation. We are not happy with the legislation as a total package, but we feel that this is a particularly inappropriate measure. We are asking that it be removed from the bill.

**Ms Bryden:** I would certainly support this amendment. I think it became very clear from the hearings that parking lots operated by a transit authority, a municipality or a municipal parking authority require an exemption because of the fact that they really are a different kind of operation from most parking lots.

They are set up to enable the municipality or the transit authority to operate more efficiently in serving the people who use the facilities of the transit authority and the municipality. They operate virtually on a nonprofit basis, although I understand, for example, that the Parking Authority of Toronto, if it has a surplus from the rates it has set, uses the money to acquire additional property in order to extend the number of parking spaces available. That is not really a profit-making organization. It is simply a very badly needed municipal or transit authority service.

Certainly, if we included this amendment, it would stop the proposal that commuter lots operated by the Toronto Transit Commission be taxed. I think that is one of the most counterproductive proposals that is at present in the act because we want to get those people out of their cars in order to reduce the road congestion coming into Toronto or into other major centres.

I think that until we heard all those briefs from the various parking authorities, we were not

aware of how significant the present failure to exempt these bodies was to the whole operation of municipal and transit authority parking lots.

Also, we were not aware of how it affects what are known as the BIA areas, the business improvement areas, which are trying to rejuvenate the downtowns of various places, such as Oshawa, Whitby and Brampton. Unless their parking lots are also exempt they just will not be able to rejuvenate the downtowns, yet the province provides money to the BIA program in order to encourage municipalities to rejuvenate the downtowns. The BIA projects cannot compete with the free parking at lots on malls surrounding the town and so you just end up with an empty core, a declining core and you do not really have a city. You have a series of shopping centres surrounding an empty core.

I think this is one of the most important amendments that we could make to this act, to reverse the situation that will develop if we tax transit authorities, municipalities and municipal parking authorities. I strongly urge that we accept this amendment.

**Mr Daigeler:** Very briefly, because I think we have had extensive discussion of that question throughout the public hearings and all the pros and cons have been debated, clearly from the government point of view, and I think from that of the members of the committee, we feel that first of all the public parking lots are competing with the private sector and in fact are receiving revenue from these parking lots as well. Most important, I think that public transit is also benefiting very substantially from the announcements that were made by the Treasurer (Mr R. F. Nixon) and from the infrastructure improvements that will come about over the next few years.

**Ms Bryden:** I have one further point. As I pointed out, the benefit they may get from this tax is not guaranteed in any way, as far as the \$1.2 billion is concerned. Most of it is just several-year-old promises.

The other thing is that the municipal parking lots, if they have to raise their fees as much as has been suggested—we have had estimates from 40 per cent in some municipalities to 160 per cent in others—are really being put out of business. Therefore, you are adding to the congestion of downtown areas, particularly where people have to get to their municipal offices and central cultural activities and so on.

If you want to put those parking authorities out of business, as you will by that kind of increase in their fees, you will really put out of business the



whole of the downtown operations because the rates will become absolutely prohibitive. The trouble with this act is that it applies the same tax to a parking lot out in a smaller centre where people may need parking for the local recreation areas, but the parking fee or increase will not be nearly as great. In the downtown areas it will just add to the whole congestion of our major cities.

Is the government prepared to do that, or is it prepared to consider that this is a separate area that should not be covered by this particular tax but dealt with in some other way if it feels there is any need to get further revenue? This source is destructive to the downtowns of our entire greater Toronto area.

**The Chair:** We have a request for a recorded vote.

The committee divided on Mr Runciman's amendment, which was negatived on the following vote:

#### Ayes

Bryden, Cunningham, Runciman.

#### Nays

Carrothers, Daigeler, Faubert, Ferraro, Haggerty, Reyecraft.

Ayes 3; Nays 6.

Section 4 agreed to.

Sections 5 and 6 agreed to.

Section 7:

**The Chair:** Mr Daigeler moves that subsection 7(2) of the bill be amended by inserting after "all" in the first line "owners of."

Motion agreed to.

Section 7, as amended, agreed to.

Section 8:

**The Chair:** Mr Daigeler moves that subsection 8(7) of the bill be amended by striking out "15(2)" in the first line and inserting in lieu thereof "14(2)."

**Mr Daigeler:** This amendment is simply to correct a typographical error.

Motion agreed to.

Section 8, as amended, agreed to.

Section 9 agreed to.

Section 10:

**The Chair:** Mr Daigeler moves that subsection 10(7) of the bill be struck out and the following substituted therefor:

"(7) A copy of the register under subsection 7(1), certified to be a true copy by the minister, is admissible in evidence in any proceeding as

proof of the original assessment made against each owner recorded in the register and, in the absence of evidence to the contrary, is proof of the contents of the assessment."

Motion agreed to.

Section 10 agreed to.

#### 1100

Sections 11 to 14, inclusive, agreed to.

Section 15:

**The Chair:** Mr Daigeler moves that subsection 15(2) of the bill be amended by adding at the end thereof "but where land is owned by more than one person, the minister shall deliver the tax bill to the owner designated by the other owners for this purpose or, if no owner is designated, the minister may select the person to whom the tax bill shall be sent."

**Mr Daigeler:** The purpose of this amendment is to ensure that one owner can be designated to receive the tax bill.

Motion agreed to.

**The Chair:** Mr Daigeler moves that subsection 15(5) of the bill be struck out and the following substituted therefor:

"(5) If an assessment is made under subsection 9(1), the minister shall deliver to the owner of the taxable commercial property or commercial parking lot a tax bill for all tax owing."

**Mr Daigeler:** This is to simplify the bill and the process and to make it less complicated.

Motion agreed to.

**The Chair:** Mr Daigeler moves that subsection 15(6) of the bill be amended by inserting after "bill" in the first line "delivered under subsection 5."

**Mr Daigeler:** Again, this is just to clarify the bill.

Motion agreed to.

**The Chair:** Mr Daigeler moves that subsection 15(8) of the bill be amended by striking out "this section" in the first line and inserting in lieu thereof "subsections 5 and 7."

**Ms Bryden:** I would just like to comment regarding all of these amendments to section 15. I think they indicate hasty drafting, and the number of amendments that are before us are really housekeeping or corrections of errors. I think it indicates also that this tax should have been delayed or even set aside for further refinement.

Also, I would like to protest that the reason for the amendment that is on the paper that we received this morning was not on the papers that

were delivered to us two days ago by the secretary of the committee. We just got the bald amendment with no reason for the amendment. I spent considerable time in the last two days trying to figure out what the reason for the amendment was. It would have been a great help to have had the paper that was on our desk this morning. I think that in future the minister should see that the committee members do get the reason for the amendment.

**Hon Mr Mancini:** May I respond? First of all, neither myself nor my officials apologize for trying to make the bill simpler for the taxpayer. We do not feel we need to apologize for that. Second, Ms Bryden, you got, two days ago, exactly what I got two days ago. I suggested to the officials in the ministry that there are a lot of people on the committee who are not legal nor tax experts and it would be a good idea if we had some plain English explanations as to what we were doing. So you got the information the same time I got the information. I ordered more information in a simpler form to be given to members, which was, in fact, done. That is all I can say at this time.

**Ms Bryden:** I appreciate that you did get it done for us, but the morning of the meeting is rather late.

**Hon Mr Mancini:** You got it the same time I did.

**The Chair:** All right. I think the point is simply, perhaps to officials in all ministries, that reasons for amendments would be helpful as soon as possible. That is the point Ms Bryden is making, I think. Are there any other comments or questions on the amendment? If not, shall the amendment carry?

Motion agreed to.

**The Chair:** Mr Daigeler moves that subsection 15(10) of the bill be amended by striking out "subsection 1" in the second line and inserting in lieu thereof "this act."

Motion agreed to.

**The Chair:** Mr Daigeler moves that subsection 15(11) of the bill be struck out and the following substituted therefor:

"(11) If, on a particular date, a debt as calculated under subsection 12 is payable by an owner, the owner shall be charged interest payable to the Treasurer at the prescribed rate and calculated in the prescribed manner on the amount of the debt from that date to the date the amount is received by the minister.

"(12) The amount of the debt payable by an owner under this act at a particular date is the amount by which,

"(a) the aggregate of,"

"(i) all instalments of tax under this act payable by the owner before that date with respect to the current and all previous years,

"(ii) the amount, if any, by which the total amount of tax payable by the owner under this act for all years ending before that date exceeds the aggregate of all instalments of tax payable by the owner under this act in those years,

"(iii) all penalties assessed under this act against the owner at any time before that date, and

"(iv) the total of all amounts of interest charged under this section to the owner in respect of a period of time ending before that date;

"exceeds,

"(b) the aggregate of,

"(i) the amount of all instalments paid by the owner under this act in a year ending before that date, and

"(ii) the total of all amounts of interest credited to the owner in respect of a period of time ending before that date.

"(13) Interest under subsection 11 shall be computed and compounded monthly to the date on which it is paid."

**Mr Daigeler:** This amendment is to provide that interest can be compounded monthly on any overdue amounts, and this is the normal tax administration that allows this practice.

**Ms Bryden:** This is the enforcement provision and, as the member says, it is probably similar to what is in the other tax statutes. I know it is in the Retail Sales Tax Act and I have had experience with taxpayers who have protested an assessment and have been required to pay the assessment by a certain date, even though they may wish to take time to consult a lawyer or officials to find out more about the assessment. That can take a considerable period of time.

In the case of my one client it took over two years, I think, before he was able to get the information he needed as to whether or not he should pay the tax, and the interest that piled up in those two years was simply phenomenal, especially if compounded monthly. A lot of the delay was by officials not being able to see him immediately or his lawyer being out of the country for a week and things like that.

You have to remember that with this tax, you are going to be dealing with a lot of new taxpayers who have never had a very large assessment, unless they are in the retail business, say, and then they have had retail sales tax assessments. But these are assessments on which there will be disputes about the property covered,

the square footage measurements and things of that sort. I think if you institute this draconian method of enforcement in the first year, you are going to have literally hundreds of cases of taxpayer dissatisfaction or feelings that the taxpaying administration is not only Scrooge but unwilling to consider the other person's point of view in the time that it takes him to see what is a fair assessment. That is really what the process is.

I believe also that the penalties and interest go on even during an appeal process, because the appeal under the retail sales tax, I know, is mainly in-house appeal, and if it is the same here, you can have another year go by, possibly, in an appeal. I just think we have to establish and have the minister commit himself to a much more, shall we say, taxpayer-friendly approach to the enforcement of this bill, in its first year, at least, because in many cases it will be a lack of information. You will be dealing often with people who do not speak English as a first language, and who do not always understand legalese certainly, and may not understand the bulletins. The bulletins may not be in several languages, as well.

**1110**

I think all those things have to be done in the enforcement process. You do have to have multilingual information leaflets. You do have to have representatives of the ministry available to talk individually to taxpayers who are disputing their assessments, and probably in their own language. But if you do not, you are building up great taxpayer resentment, and I think that is the last thing the Ministry of Revenue would want to do. So I hope the minister will give us a commitment that he will put in a special program for the payers of this new tax to make sure that they are well-informed on their rights and on the definitions, the remittance requirements and that sort of thing.

Second, I would hope that you would drop the monthly compounding of interest rates and have a certain period when there is no interest while inquiries are made and then have a less compounding process be included in the penalties; in other words, not a compounding but a certain annual interest if there are delays that the taxpayer may be partly responsible for.

**Hon Mr Mancini:** We are, indeed, sensitive to all taxes that are imposed by the Legislature. I should say to the members of the committee that this is probably one of the simplest taxes that we have and I do not foresee the difficulties that the honourable member mentioned to the committee

this morning. We have already received a large volume of calls from people in the community who have questions. I believe we have answered them fairly satisfactorily. The tax is easily explainable, understandable, easy to collect. Mr Lettner, who has had some dealings with the community, may want to take just a moment to tell us why we do not foresee the problems as described by Ms Bryden.

**Mr Lettner:** Our clientele is very small in this bill; that is the first thing. The second thing is that when the bill is passed, we intend to send an insert with every assessment notice asking the owners to come in and see us and go over the method of arriving at their assessment and, if we have errors to correct, to correct them.

The other thing is that if people appeal their assessment, and this is a different type of appeal from retail sales tax, the appeal is to the Assessment Review Board, which will probably hear the appeals fairly fast because there is not a question of law or anything involved in it. If they pay their taxes and they are successful on appeal, they get a rebate back at the same rate of interest as if they had not paid their taxes. So if they appeal their assessment and they win an appeal, they get the tax rebate and the interest compounded exactly the same way as if they had not.

**Ms Bryden:** Will they be receiving interest back?

**Mr Lettner:** No, there is no interest if you pay your taxes. If you pay your taxes, appeal your assessment and you win your assessment, the overpayment is given back to the ratepayer or the owner and interest is added to it.

**The Chair:** It seems that procedure is very fair.

**Mr Haggerty:** Just a—

**The Chair:** Well, I do have a list. Okay. What is your point?

**Mr Haggerty:** How many owners are we talking about?

**Mr Lettner:** We are talking under 1,000 owners.

**Ms Bryden:** I think he asked my question. You said there were 200,000 owners who will be liable to this.

**Mr Lettner:** No, under 1,000 owners.

**Ms Bryden:** Does that include the parking lots, which are every commercial parking lot in the greater Toronto area?

**Mr Lettner:** That includes all. We intend to send out under 1,000 assessment notices to the owners.



**Ms Bryden:** For the whole GTA?

**Mr Lettner:** That is right.

**Ms Bryden:** And that is both building owners and parking lots?

**Mr Lettner:** That includes all parking lots, all 678 of them, if my memory is right. The rest are buildings.

**Ms Bryden:** It still requires gentle treatment.

**The Chair:** Mr Reycraft, did you have a brief comment?

**Mr Reycraft:** The point has been made; that is, there is an amendment still to be introduced that will require the government to pay interest compounded monthly on overpayments and refunds.

**The Chair:** We will get to that. Are there any further comments on this amendment? If not, shall the amendment carry?

Motion agreed to.

Section 15, as amended, agreed to.

Section 16:

**The Chair:** Mr Daigeler moves that subsection 16(1) of the bill be amended by

(a) striking out "preceding year" in the second line of clause (a) and inserting in lieu thereof "two preceding years";

(b) striking out "preceding year" in the first line of clause (b) and inserting in lieu thereof "two preceding years."

**Mr Daigeler:** This is an administrative amendment.

**Ms Bryden:** The reason for the amendment indicates that it really was an oversight in the legislation, which is the reason for having this process. It would have been a rather bad oversight if it had been left there, an inconsistency.

Interjection.

**The Chair:** Ms Bryden was still speaking, so it is helpful to allow her to finish her comments.

**Ms Bryden:** There would have been an inconsistency between the two clauses which refer to the preceding year. I am glad that you caught it and are correcting it.

**Mr Daigeler:** Very quickly, because the point is being made very often on other bills, as well, by members of the opposition, I am advised that the Income Tax Act of the federal government was introduced some 80 years ago and they are still introducing amendments to it. It is part of the natural process that improvements can be made and must be made as time goes on and as we

implement and proceed with different bills, not just this one.

Motion agreed to.

**The Chair:** Mr Daigeler moves that subsection 16(7) of the bill be amended by adding at the end thereof "during which the land was razed or damaged by fire or demolition."

**Mr Daigeler:** The reason for this is again an administrative clarification to indicate that it applies only to the portion of the year during which the land was damaged or unusable.

**Ms Bryden:** I would like clarification of the general situations under which refunds, cancellations or reductions may be allowed without having it in the judicial language. Can you give us an overview of the situations, or the type of situations, in which cancellations, reductions or refunds will be available?

**The Chair:** I think Mr Lettner should respond.

**Mr Lettner:** If we put the assessment on, and in the following year, in part of the year, the building is destroyed by fire, we would tax the owner of that building only for the number of months that the building was in operation. If it was not destroyed by fire but it had to be cleared of all the tenants until such time as it was rebuilt, he would get a cancellation or a refund of taxes from the date of the fire. Then he or she would get a supplementary when the building started back into production. The same holds true with regard to the Assessment Act. If a building is demolished or destroyed by fire, the municipality cancels the taxes from the month that it happened.

**Ms Bryden:** It is only fire or demolition that you have, not change of use or anything like that.

**Mr Lettner:** For change of use we would probably issue a supplementary.

**The Chair:** That is not related to this amendment.

**Mr Lettner:** No.

**The Chair:** This amendment is fire or demolition.

**Mr Lettner:** That is right.

**The Chair:** Are there any further questions or comments on this amendment? If not, shall the amendment carry?

Motion agreed to. 1120

**The Chair:** Mr Daigeler moves that subsection 16(20) of the bill be amended by inserting after "prescribed" in the third line "computed and compounded monthly."

Motion agreed to.

Section 16, as amended, agreed to.

Sections 17 to 20, inclusive, agreed to.

Section 21:

Mr Daigeler moves that subsection 21(1) of the bill be amended by adding thereto the following clauses:

“(f) prescribing additional classes of land to be included in the definition of ‘commercial property’;

“(g) exempting commercial properties and commercial parking lots from the tax imposed by this act.”

**Ms Bryden:** Section 21, the whole section, is one of my greatest concerns because it gives the Lieutenant Governor in Council power to do almost anything under this act. I still submit that in a democratic government a lot of the things that can be done by regulation or order in council should come back to the Legislature and be made as additions to the act with full debate by the Legislature.

This particular one that we are now looking at, clause 21(1)(f), is a very good example of what I am saying. The Lieutenant Governor in Council is allowed, under this act, to prescribe any additional class of land to be declared commercial property—in other words, taxable—simply by passing an order in council which will ultimately be gazetted. But there is no process for the Legislature to even know about this before it is gazetted or before it finds the copy of the order in council.

There are no guidelines as to what kinds of commercial property might be added. I think if you find that there are areas of commercial property that are escaping taxation and that it would not be fair to let them continue to escape, that is the time to bring an amendment back to the Legislature. So I think this particular amendment should be struck out as giving far too much power to the Lieutenant Governor in Council in a democratic government and cutting the Legislature out of the process.

**Mr Daigeler:** Quite frankly, I appreciate the position that Ms Bryden is taking. However, she was arguing earlier for user-friendly administration of this tax and of any other tax. I think this particular amendment, as in many other cases, provides an opportunity to look at special situations that normally cannot be covered by the legislation and to provide precisely the opportunity for the government to do what she argued for earlier, namely, to take special considerations where they are warranted and to be user-friendly.

While I see her point that the Legislature obviously has ultimate authority and responsibility, at the same time I think the Legislature also realizes that we cannot legislate on everything and that there must be an opportunity for the Lieutenant Governor to make exceptions where they are warranted.

**Ms Bryden:** I must say I disagree with the rebuttal of the member, because you are working towards dictatorship when you are taking away the powers of the Legislature and giving them to the executive council. This is what has happened in far too many countries; we should be working in the opposite direction. It seems to me the term “commercial property” is a very broad one. The property already covered by this act is very broad, but if we are going to extend a tax of this sort, it should be done by the Legislature. As members know from the hearings we had, there is a large body of the population that objects to this kind of tax for a variety of reasons that have been mentioned, including encroachment on the municipal field. It seems that this clause could be used to take away large chunks of commercial property and tax them, large chunks that the municipalities consider very important under their business tax system. It would not necessarily take away their right, but it would add a tax to the particular commercial properties.

The same arguments I have made on clause (f) apply to the next subsection that we have not yet dealt with. The power to exempt commercial properties and commercial parking lots is also given under the two sections. When you have the power to exempt, you can always have favouritism unless it is subject to a much more open process than the passing of regulations by the Lieutenant Governor in Council. You should not have that loophole for the government. If it wants to exempt properties, it should come to the Legislature and say why they should be exempt. They should be a class of properties, not just one particular property, unless it is something very special like the SkyDome, which is not exempt and should not be.

The argument that it is a friendly tax bill does not hold water when it is a case of taking away the powers of the Legislature to know what is being either added or subtracted from the application of the tax.

Motion agreed to.

**The Chair:** Mr Daigeler moves that clause 21(2)(b) of the bill be struck out.

**Mr Daigeler:** That essentially is the same kind of amendment as the previous one.

Motion agreed to.

**Ms Bryden:** I thought he said clause (d). Is it clause 21(2)(d) you are talking about at the moment?

**The Chair:** Clause 21(2)(b) is the amendment.

**Ms Bryden:** My same arguments apply to that one as well.

**The Chair:** The amendment carried.

Section 21, as amended, agreed to.

**The Chair:** Are there any amendments on section 22? I believe the Progressive Conservative amendment is actually to a new section as opposed to section 22.

**Mrs Cunningham:** That is right, Mr Chairman; however you want to handle it.

**The Chair:** I would like to deal with section 22 first.

Section 22 agreed to.

**The Chair:** Mrs Cunningham, you have an amendment for section 22a?

**Mrs Cunningham:** Yes. In moving the amendment, our party would like to go on record as saying that we believe that Bill 46 is so tremendously flawed that we had hoped the government would withdraw it. That would have been our best position.

**The Chair:** Can I ask that the amendment be read into the record first, before you speak to it?

**Mrs Cunningham:** You have copies, I hope.

**The Chair:** Mrs Cunningham moves that the bill be amended by adding the following section:

"22a(1) Within one year of the day on which this act receives royal assent the tax established by this act shall be referred to a standing committee of the Legislative Assembly.

"(2) The standing committee shall review the impacts of the tax established by this act on the commercial property owners, businesses and municipalities in the greater Toronto area.

"(3) The standing committee shall report its findings to the Legislative Assembly and shall make a recommendation as to whether this act should be continued unchanged, be amended or be repealed.

"(4) In the event that the review of this act by a standing committee is not conducted or the standing committee does not report, this act is repealed on 31 December 1990."

**Mrs Cunningham:** May I make a couple of comments?

**The Chair:** Yes, please do.

1130

**Mrs Cunningham:** In looking at the input from the witnesses who came before the committee, we were advised on a number of occasions, as were all members of the committee, of the concerns represented by the cities of Oshawa, North York and, of course, Toronto. The chairman of Metropolitan Toronto certainly made an impressive presentation, as did the mayor of Toronto. The Toronto Transit Commission had rather important observations and concerns, as did the Hotel Association of Metropolitan Toronto. We could go on, but we will not at this point in time.

The government is determined to proceed with the bill. I think it should at least be prepared to limit the damage that we have been advised of by agreeing to sunset the bill so that we can review it at the end of one year to take a look at what the potential has been for the negative impact on the businesses and on business improvement areas, not only in Toronto, but across Ontario. It just gives us an opportunity to take a look at how it has worked and I think it will be responsible action on behalf of the government members and the government.

**Ms Bryden:** I agree with the member for London North that the bill really is so badly flawed that it should be withdrawn and that the government should look for other sources of revenue for the objectives of this bill. The sunset clause idea is a sort of second fallback position to see how it works in the first year.

I would support, first of all, complete withdrawal. That is the reason our party has not put any amendments in at all. We did not think it was possible to amend the act really to make it acceptable and thought, therefore, why waste our time trying to amend the completely flawed act? Why not get a new, better act and a better way of raising the money required?

But since it does not look as if that will happen, that the government will withdraw, although it still has time to think about it, I would support the amendment from the member for London North about a sunset clause so that we at least look at it after a year to see whether it has worked out and whether its incidence on people has been fair, which would be the main principle of any tax, what the administrative costs have been and whether it still should be continued if neither fairness nor reasonable administrative costs are established.

I think we should have a recorded vote on this amendment of the member for London North. I am sure you would agree.



**The Chair:** We have had a request for a recorded vote. Mr Daigeler, did you wish to comment?

**Mr Daigeler:** Yes, I would like to make some comments. First of all, I do feel that the principal idea of this amendment is a valid one and certainly is acceptable to the government. The government in fact always has acted in that way. That is the very purpose of our having the different committees of the Legislature, among others the standing committee on public accounts, which is reviewing the various statutes of the government and various expenditures as they are made.

Obviously we are very interested in making sure that various tax measures and any other measures serve the purpose they have been intended to serve, and if they no longer serve the purpose, then perhaps they have to be changed. I think that is the purpose of the committee structure we have in place.

So I think that from a point of principle, yes, we can agree with that. On the other hand, I think we already have ample opportunity to provide that kind of review the member is asking for. Specifically, I just mentioned the public accounts committee. Or now, under the new standing orders, the committees and certainly the opposition parties can request to have studied any matter that they would like to see studied for 12 hours by a committee during the session.

I think the opportunity to achieve what the member is asking for is already there and therefore I do not see the need for having this particular amendment.

**The Chair:** We have had a request for a recorded vote.

**Mrs Cunningham:** Is that all that is going to be said? Is anyone else speaking to it?

**The Chair:** I have no one else on the list and, in the interest of running the committee, when I have no one on the list I generally call a vote.

**Mrs Cunningham:** I am not arguing with your efficiency, Mr Chairman.

**The Chair:** Thank you.

**Ms Bryden:** I think the mover should have a chance to rebut.

**The Chair:** All you have to do is ask.

**Mrs Cunningham:** I was expecting more discussion, that is all. You sort of caught me by surprise.

**The Chair:** Do you have some additional comments that you wish to—

**Mr Faubert:** Why would we want to discuss this?

**Mrs Cunningham:** I am sorry. I am missing the point. Is there—

**The Chair:** I think the point is, if you wish to make some additional comments, I would be delighted to entertain them.

**Mrs Cunningham:** I thought that this was a responsible position. Just to respond to the member who talked about the standing committee on public accounts and that opposition members can bring bills before a committee at any particular point in time to study, I agree with that, but I think that this bill has taken on an absolutely new approach to taxation when it comes to the municipalities across the province. I think we had a lot of objections. Correct me if I am wrong. I did not see anyone coming in and supporting it.

**Mr Daigeler:** Those who support it themselves would not.

**Mrs Cunningham:** I would have expected the government to do a better job of getting its supporters in here to speak to us when it has even one, but I am not confident that it did, so I will go on with my comments. I did not see any support and I take that with a tremendous sense of humour. I cannot imagine who would support it.

I think the big concern here is that the intrusion into the municipal tax base was the greatest criticism, and whether one agrees with the municipalities or not, it is the way they feel. I happen to agree with them and people who have sat on municipal councils would agree with them. If the municipalities are needing more money right now for the work that they are doing in their municipalities, and if they are looking to the government for more support, this would have been a more responsible way of raising taxes from the municipalities' point of view, if they chose to do it. They did not choose to do it and they told us all the reasons why. They did not choose to do it because they were concerned about the effect on their business improvement areas in the smaller municipalities and they did not choose to do it because they thought it was an unnecessary form of taxation.

I think, given their concerns, this is a wonderful opportunity to take a look at the potential for any negative impact on businesses. I thought that the Hotel Association of Metropolitan Toronto made a very important statement to us. If in fact we are going to be looking at fewer people coming to downtown Toronto because we are adding another \$332 on a room per year in

taxes, or whatever that particular number is—I think I am not far off—and they have given us that good information, I think it is the responsibility of the committee that sent this bill to the Legislature for approval to look at it.

It is not just a matter of doing it because you are able to do it or because someone thinks it up. I think this is a promise that we will do it and I think that is the way we should be looking at it: not that we do it because we think it is a good thing to do, or someone is more interested in this bill than others, but because we had so much negative input to it and concern on behalf of municipalities and businesses that we should do this. So the fact that we have had one member speak to this—I was just concerned that perhaps I had not made my position as clear as I could have in the beginning. I want to have the opportunity to do it now. I am not sure I have changed anyone's mind, but I did make that effort and I thank you for the opportunity.

The committee divided on Mrs Cunningham's amendment, which was negatived on the following vote:

#### **Ayes**

Bryden, Cunningham, Mackenzie.

#### **Nays**

Carrothers, Daigeler, Faubert, Ferraro, Haggerty, Reyecraft.

Ayes 3; nays 6.

**Ms Bryden:** I do not have a drafted amendment but I would like to inquire whether the

ministry has taken into account the brief from the Chiefs of Ontario regarding the rights of the native people to not be taxed under this bill.

**Mr Carrothers:** That is another piece of legislation.

**The Chair:** It is the wrong piece of legislation you are referring to.

**Ms Bryden:** Oh, that is the payroll tax. No, they mentioned both because they thought there might be businesses operating on the reserve that would have a small payroll and might not be—

**Hon Mr Mancini:** That is the employer health levy.

**The Chair:** That is the legislation we will deal with this afternoon.

**Ms Bryden:** Yes, that is right.

Section 23 agreed to.

Title agreed to.

Bill ordered to be reported.

**The Chair:** Are there any other items to come before the chair?

**Hon Mr Mancini:** Could I just thank you and all members of the committee for being so co-operative and efficient this morning? I am happy to have had the opportunity to work with you and all the members of the committee.

**The Chair:** Thank you for being here, Minister, and thank you to members of committee. The committee will stand recessed until 3:30 this afternoon.

The committee recessed at 1141.

## AFTERNOON SITTING

The committee resumed at 1549 in room 151.

EMPLOYER HEALTH TAX ACT, 1989  
(continued)

Consideration of Bill 47, An Act to impose a Tax on Employers for the purpose of providing for Health Care and to revise the requirements respecting the payment of Premiums under the Health Insurance Act.

**The Vice-Chair:** We will call the meeting to order, seeing a quorum. Before we get into the specifics, I would like to remind the committee that indeed today approval was given by the House for the committee to meet on 20 December, which is a Wednesday, in order that the Treasurer (Mr R. F. Nixon) may present us with his synopsis vis-à-vis prebudget hearings. Committee members should make note of that date.

The purpose of this afternoon's committee meeting is to deal with clause-by-clause of Bill 47 concerning what is more commonly known as the employers' health tax. On behalf of the committee, I would like to welcome once again the Minister of Revenue to the committee hearings. At this juncture, if I may, I would ask the minister to introduce his staff present for the committee.

**Hon Mr Mancini:** We have senior staff people with us. Some of them are sitting at the table here with the committee members. I would like to invite my assistant deputy minister, Roy Lawrie, to introduce everyone who is with us today. Everyone is here at our disposal to help us answer questions. I hope everything will go as smoothly this afternoon as it went this morning.

**Mr Lawrie:** First, sitting two rows behind me we have Mary Fleming of the Ministry of Health, available for OHIP questions; on my far left is Stephen Orsini from the Ministry of Treasury and Economics; next to him is Gerald Sholtack, who was here this morning, the director of the legal services branch in our ministry; and finally, Jim Evans the director of employer health tax branch, Ministry of Revenue.

**The Vice-Chair:** In keeping with tradition, certainly as of this morning, we would like to allow up to five minutes for opening comments from any party that deems advisable to take advantage of that. I ask for the committee's indulgence, particularly with regard to the obvious deadlines, if at all possible, in that we would like to get second reading done today and I

remind the committee that there is a vote, I understand, at 5:45 tonight.

Would any of the parties like to make an opening comment?

**Ms Bryden:** Thank you for the opportunity. I would like to say that we are very pleased this is being held in the Amethyst Room with the television coverage in the two official languages because it is giving the residents of this province an opportunity to see what the Employer Health Tax Act, 1989, is all about and they may get some of the reasons that it appears that, of those who appeared before us in the public hearings, I would say 99.9 per cent were against this tax.

So what we are facing is that a tax that is very unpopular with those who appeared is now up for the final stage of fine-tuning, and I hope that there will be some amendments that may change its character, although I will say to start with that our party feels that this tax is so flawed in the nature of the proposal that it really should be withdrawn and replaced, or the objective met, which is to replace the premium revenue for health care.

That objective could be met by other forms of more progressive taxation. That was our recommendation about a decade ago, when we recommended that premiums were a regressive and unfair tax and should be abolished. We suggested progressive taxes on income of corporations should take their place. There are alternatives out there, but they are not in this bill.

I also would like to remind the committee that this is another brand-new tax; we dealt with the commercial concentration tax this morning. The problem with brand-new taxes is that you do not have much experience, so you do not know what their impact is going to be. We have only two other provinces that have an employers' health levy, Quebec and Manitoba, but their acts are quite different from this one, so there is no way of measuring the economic effects of this tax, its effect on small business as opposed to big business.

Certainly, when we appear to be coming into a recession or slowdown, it seems to me it is the wrong time to be putting a regressive tax on the operations of all employers in the province. Even though the rates differ for different sizes of payroll, it still could have a very bad effect on the economic development of this province in the next year, but we do not and will not know until the year is up and that is another reason for



looking at this tax with a somewhat jaundiced eye.

A sensible objective of the tax was to replace a premium revenue of \$1.8 billion. Actually, the tax as presented by the Treasurer is estimated to raise \$2.1 billion, in other words, another \$3 million more in revenue than the government got from the premiums in the past year; so it is not entirely a replacement tax, it is another bite on the taxpayers of this province on top of about a \$2-billion bite in other areas this year as well as \$1 billion the year before.

Moreover, the tax is not an earmarked tax, so whatever it does bring in—\$2.1 billion, it is estimated—will not necessarily be spent on health care. In fact, not one penny of it has to be spent on health care, because it goes into the general revenue fund. I presume some of it will be, but a tax that is marketed on the grounds that it is to replace the premium income should be more specific as to what use the money will be put to.

In actual fact, this bill will raise another half billion, possibly—the figure is still in some dispute—from premium payers who received notices from OHIP that their December 1989 instalment payment was due and would cover their health care costs for the first three months of 1990.

You will notice that the title of the bill says that, in addition to imposing the employer health levy, it is “to revise the requirements respecting the payment of Premiums under the Health Insurance Act.” It does not say it is a bill to abolish premiums but to revise the payment of premiums system.

I can go into this in more detail when we come to the other sections of the act, but the bill does say in subsection 40(3) that every resident of Ontario is entitled to become an insured person without payment of premiums after 1 January 1990. There appears to be a steal, in a way, if you want to use as strong a word as that, from the people who were paying direct or were paying premiums in the month of December that were applicable to the first three months after January.

I think this is something that must be removed from the bill, because there has been an accommodation to employers who were going to have to pay an instalment based on December payroll. The government is planning to change the act with an amendment which will let those employers off the hook for a payment based on December payroll. I will go into that further later on.

The other critiques I have of the bill are that it will probably require a huge bureaucracy,

because there are an awful lot of employers and a lot of them will be new to this; they will have to set up new payroll deduction systems. There are no exemptions so far, as far as I know—the Treasurer says he will give no exemptions—yet it hits small business much harder than it hits big businesses because they cannot as easily pass on the tax to other people. In fact, many of them have not been paying any OHIP premiums, so it will be a completely new cost for them. Employers who have been paying employees' premiums will maybe not be paying much more. It hits labour-intensive industries, it is uncertain as to its effect on the economy, and there are a great number of problems with it, as those who sat through the hearings that we had in the last two weeks will know.

The native people, for example, the Union of Ontario Indians, pointed out that under the Indian Act those on reserves should not have to pay or have an employer on the reserve pay. The John Howard Society wrote us and said that it has a special arrangement for carrying out a service in the skill training field, which the government is assisting it with, but if you include its payroll for that particular service, it will have a tremendous increase in the payroll tax, far beyond what it would be if it was just operating as a society helping ex-prisoners.

Those are a couple of the areas that I will be highlighting when we come to the amendments, but I would like some indication of where that question of the native peoples' entitlement to an exemption or just not being considered covered, under what section will that come?

**1600**

**Mr Runciman:** I will be relatively brief. I am not the official spokesman for the Conservative Party on this legislation, but I do not like to pass up an opportunity to talk about the Liberal government's irresponsible and in some respects dangerous taxation policies and its profligate spending habits.

I also want to echo what my colleague in the New Democratic Party said in respect to the double billing that is going to occur in the first quarter of 1990. I think she called it a theft, and we used the words “highway robbery.” I think it is certainly something that, hopefully, the members on the government side of this committee will give careful consideration to changing.

We have a lot of concern about this particular piece of legislation, but more generally we have concerns about the spend-spend-spend, tax-tax-tax approach of this government. In the past four years we have seen tax increases over 100 per

cent in Ontario. There are arguments about the number of new civil servants. The latest figure I heard is that in the life of the Liberal government we have seen 11,000 new civil servants in the province. We have seen licence fees increase significantly, 400 per cent to 500 per cent. Every opportunity of increasing the revenues has been exploited.

Of course, this is another opportunity for the government, and the double billing exercise, again, is one that—there is no limit to the appetite of the Liberal government in respect to reaching out into the pockets of the taxpayers of this province. Of course, this has occurred during a time in our history when the government has seen unprecedented new revenues flowing into it because of the buoyancy of the economy. There has been no effort whatsoever to try to attain efficiencies in government operations, especially in an effective way in the health care field.

Of course, that is what this legislation is attempting in some way to address, but again, in our view, it is not the appropriate way. There has not been a concerted effort to try to deal with the efficiency side, not only in the Ministry of Health, which is representing something like one third of the provincial budget now and obviously has to take priority, but across government.

We can take a look at each ministry, we can take a look at the very small things on an individual basis, but when we look at them across government, they are significant indeed. There seems to be no effort. When we look at things like a cabinet minister sending his dry-cleaning out and billing the taxpayers of the province \$450 for his dry-cleaning, that is the sort of thing that is very small in terms of the amount of dollars, but I think it is indicative of the mindset of this government in respect to its dealings with the hard-earned dollars of taxpayers across this province.

I want to talk a bit about the impact of this legislation on business. There have been so many things happening in the past number of years in terms of onerous burdens being placed upon business and industry, additional red tape, additional regulation and additional taxation. We are hearing concerns now about the loss of jobs in Ontario and across Canada, but in Ontario specifically as the largest province in the Dominion.

Of course, the Liberals and New Democrats tend to talk about this drain, if indeed it is occurring, and blame it on the free trade agreement. I want to say that if you take a look at what is happening in this particular jurisdiction

with respect to taxation, with respect to regulation, with respect to policy development and application, it is severely hurting small business and industry in this province. You are indeed making it, at some point in the not-too-distant future, a very unattractive venue for business not only to locate in but to prosper and grow and build upon the businesses that they already have established here. Unless we see some sort of a turnaround in this situation, I believe we are going to see more and more employers looking at other areas in which to invest. That could be within Canada, in other provinces that are more attractive or in the United States.

Getting back to the question of growth of government, we talk about the fact that there has been no real effort, in my view, to try to bring that growth under control. I again want to draw your attention to the Provincial Auditor's recent report in regard to the government's being in many respects on the verge of being out of control.

I believe that is indeed the case and I can look at it from just my own perspective in terms of the operation of my constituency office. I think my people working in that office are being nonpartisan when they tell me their own experiences. They have been with me for eight or nine years. This government, in trying to get things dealt with, with the level of bureaucracy in whatever ministry you are dealing with in trying to get a resolution and an answer, is becoming more and more chaotic. You are looking at months and months for responses. When you are talking about pensions for retired civil servants, for example, it is just a maze of difficulties, and that is the sort of thing that is occurring within this government.

I do not know where we are heading. Of course these are the sorts of things that perhaps the electorate at large is not very much aware of, but I think we are heading for some very difficult times and, as Ms Bryden mentioned, on the horizon it looks like we could be faced with a recession.

I think this government has to take a fresh look at the way it is approaching the operation of government, the way it is dealing with business and industry and the way it is dealing with citizens. Taxes are just becoming too much of a burden, not only at the federal and provincial levels, but also at the municipal levels, so let's take a look at where we are going and make sure that what we are doing is not going to do long-term damage to the province.

**Hon Mr Mancini:** I just would thank you for this opportunity and would like to take a moment to clarify some of the things that have been said by our colleagues in the committee here. I do not view the situation as being quite as serious as has been painted by some of our colleagues here. There are a couple of very important points we must consider.

First, the employer health tax is a replacement tax. Yes, it is a new tax, but it is a replacement tax. OHIP premiums are being eliminated. There are people from all sides of the House, I believe, sitting in this room today, who have said over the years that OHIP premiums should be eliminated. We are going to do that.

OHIP premiums brought in approximately 13 per cent of the total health bill. The new employer health tax is going to bring in 16 per cent of the total health bill. The employer health tax is paying only a small but very important portion of the entire bill. We need employers to pay their fair share.

We are concerned about small business. That is why small business is going to be charged the half rate. When this government took over in 1985, we froze OHIP premiums. If OHIP premiums had not been frozen and had been allowed to increase at the same level as the consumer price index between 1984 and 1989, OHIP premiums would not be bringing in \$1.6 billion, they would be bringing in \$2.6 billion, far more than the employer health tax.

The burden on families that have had to pay their own premiums would have been that much greater. Their access to medical care would have been further denied. The burden on employers who were in fact paying the entire cost of OHIP premiums would also have been unfair, because other employers were paying only half or nothing at all.

So when we say here today in the committee that this is a new tax and that we are bringing in all of these new kinds of money and compare it to what the situation was and what it could have been, I think it fares quite well. We have taken into consideration the concerns of small business.

Some of us here at the committee have said that this makes our businesses uncompetitive with other businesses in North America, because of the employer health tax. That is not true. Our sister province in Quebec has a higher tax and, for example, our competitors in the United States pay far more for their health coverage than Ontario employers are going to have to pay. Annual insurance premiums for small businesses in the United States now range from less than

\$1,000 per employee to almost \$10,000 per employee, depending on age, region, family members and other factors.

**1610**

In Canada, annual health insurance premiums, in the provinces that still average premiums, were approximately \$357. I think that is close to the Ontario figures. The cost of private health care coverage in the United States has been growing at a rate of 20 per cent in each of the last two years. The cost of coverage now ranges from \$3,000 to \$6,000 per employee.

Chrysler Corp has pointed out that for every vehicle it builds in the United States, it spends US\$700 on employee health care, where comparable figures for car manufacturers in Canada are US\$223 per employee. There is a vast difference in the cost for health care coverage to individuals and corporations doing business in the United States and in Ontario.

Finally, an important point that I keep mentioning and I wish others would, we are returning \$1 billion to the economy. People who were paying their own OHIP coverage will be saving, in gross terms in the province of Ontario, well over \$450 million. Individuals who had OHIP paid for them, paid for that coverage through their income taxes because it was a taxable benefit. We are returning to them nearly \$400 million. This new plan is returning to the population of Ontario nearly \$1 billion. I cannot recall a single tax initiative in the last 14 years of my term here in the Legislature of any government doing anything of this nature.

When we compare that to the old system we had in place, where we asked individuals whether they could afford to pay or not, and we had some companies paying and others not paying, the whole system out of whack. The alternative was to raise OHIP premiums. When we compare that to this new levy, I think that most people would rather have this new particular tax in place of the old tax. I think it is fairer, more equitable and puts our funding on a more solid footing.

Mr Chairman, we will deal with other questions as we go along, but thank you for the opportunity.

**The Vice-Chair:** For the committee's benefit, I would assume that everybody has copies of the amendments that are going to be proposed. Let's dive right into it.

**Mrs Cunningham:** We have amendments as well.

**The Vice-Chair:** Could we have copies of them passed around? For the benefit of those who



might be a little less familiar, because this is a money bill, certain government amendments, if they are dealing with dollars and cents specifically, must according to standing rules be proposed by the minister. I suspect that the minister's parliamentary assistant will move the other amendments.

The clerk advised me that some of the Progressive Conservative motions which we have just received are on the first section. We will have to wait a few minutes to get photocopies so we can circulate them to the members of the committee.

**Ms Bryden:** While we are waiting, do we have a legal counsel here who might discuss whether the Union of Ontario Indians would be covered, or would be exempt, under the Indian Act? That was the gist of their presentation. If they are exempt, there is no need for an amendment.

**The Vice-Chair:** I think it is opportunistic to take advantage of the time.

**Mr Sholtack:** I believe the answer to Ms Bryden's question is that Indian employers are exempt under the Indian Act. Indian-owned corporations, on the other hand, would be liable to pay the tax in any event, wherever they are situate, but individual Indian employers would not be liable for the tax if they do business on the reserve.

**Ms Bryden:** You just have to do business on the reserve?

**Mr Sholtack:** Yes. That is the exemption found in the Indian Act of Canada and that applies to supersede any ability by the province to impose tax. So no amendment is necessary to this act to achieve that effect.

**Ms Bryden:** But Indian corporate employers, even doing it on the reserve, would be taxable?

**Mr Sholtack:** That is right. They are not Indians under the Indian Act.

**Ms Bryden:** Can you give us the section?

**Mr Sholtack:** Indian employees would not be included in the payroll calculations.

**Ms Bryden:** Indian employees of corporations?

**Mr Sholtack:** Of an Indian corporation on reserves.

**Ms Bryden:** I take it in that case an amendment was not needed, but that they will not be subject to the new tax.

**Mr Sholtack:** I guess the explanation of that is that our definition of remuneration is based on what is withheld for federal income tax purposes,

and remuneration paid to Indian employees by corporations situated on a reserve is not subject to withholdings. So that is the basis on which Indian corporations doing business on a reserve, employing Indian employees, do not count the wages that they pay to their Indian employees. So they pay less, in fact.

**Ms Bryden:** If they have non-Indian employees but still operate their corporation on the reserve, do they pay those non-Indian—

**Mr Sholtack:** Yes.

**Ms Bryden:** The tax is on the employer, not on the employee.

**Mr Sholtack:** But the tax is based on the amount of remuneration and the amount of remuneration is based on what is required to be withheld for federal income tax purposes. So if they have non-Indian employees, they have to withhold and pay to Ottawa income tax. So that amount is included in the base on which the tax is calculated.

**Mr Daigeler:** Just a very important point, that a corporation under the Indian Act is not considered an Indian and therefore the corporation is subject to a tax. So whatever provision is in the Indian Act we are following. But a corporation does not have Indian status.

**The Vice-Chair:** Ms Bryden, you may want to carry on this conversation, but just for the benefit of the committee, the intent of the chair is to deal with the amendments as they were received. In that regard, the government amendments will go first and if there are any other amendments in that particular section, they will follow. That I understand is according to the standing orders.

**Mrs Cunningham:** We are having some problems as usual in getting someone to take over to go somewhere else. In the interest of time, you might want us to table all of the amendments we have. There are sets of them otherwise to do with the same section. It depends on how you want to deal with it. It will take us probably five or 10 minutes to do it, but it will be done.

**The Vice-Chair:** With the committee's indulgence, assuming Ms Bryden's question has been reasonably satisfied, I would like to jump right in to the government amendments. By that time we should have photocopies of the Conservative amendments and indeed stack the voting or deal with it at that particular point in time.

**Mrs Cunningham:** All right. We may need a bit of a break here for me to pass over to the next person. I am sorry about that, but it will take some time. We will deal with it as you wish.

**The Vice-Chair:** I appreciate your comments, Mrs Cunningham, and we will try to accommodate the best we can. Let's jump right in then, if we may.

Mr Daigeler moves that the definition of "small employer" set out in subsection 1(1) of the bill be struck out and the following substituted therefore:

"'small employer' means,

"(a) in respect of 1990, an employer who pays total Ontario remuneration for 1990 that does not exceed \$400,000, and

"(b) in respect of any other year, an employer who pays total Ontario remuneration for the year that does not exceed the prescribed amount for the year."

**Ms Bryden:** I presume that if you are putting it on an annual determination basis, you have determined for this year it will be over \$400,000 to be eligible for tax but you will change that from year to year. Is that correct?

**Hon Mr Mancini:** No, that is not quite correct. That decision would be made as the Treasurer sees fit through budgetary announcements, but there is no indication that it will be done year to year or in any other way.

**Ms Bryden:** But you have the power to prescribe the threshold for every year or for any year, I think. Is that not what clause 1(1)(b) does?

**Hon Mr Mancini:** Clause (b) identifies a small employer and it identifies the figure that we attach to a small employer. We do that so that we can attach a percentage of the rate. There are different rates. Somewhere in the notes that were handed out over the last few weeks there was a scale that indicated what the cost would be if an employer had a payroll of \$200,000 or less. For employers who have a payroll from \$200,000 to \$400,000, there is a gentle shifting upwards of the percentage that employers would have to pay, so that there is no notch per se in the system. That clause just basically describes what a small employer is. A small employer is an employer whose total Ontario remuneration for the year does not exceed \$400,000.

**Mr Reycraft:** I would just point out to Ms Bryden that in the bill as drafted, the definition of "small employer" is to be prescribed by way of regulation. What the amendment that Mr Daigeler has introduced does is put that definition into the legislation.

**Hon Mr Mancini:** Do you remember this morning when you were after us about all the regulations and how we should put more stuff in the legislation? Well, in a period of three hours we are moving quickly.

**Ms Bryden:** Congratulations.

**Mr Reycraft:** We heard you.

**Ms Bryden:** Clause (b) does mean that the minister can prescribe a different figure for any other year, because it is to be done by prescription.

**Mr Reycraft:** That would be after 1990.

**Ms Bryden:** Right. Am I correct in that?

**Mr Reycraft:** That is true.

**Ms Bryden:** So you see, we are giving the minister some discretion for future years.

**Hon Mr Mancini:** Thank you for your confidence.

**Ms Bryden:** I did not say I was going to vote for it.

Motion agreed to.

**The Vice-Chair:** As I understand it there is a Conservative amendment to section 1, so we will pause for a couple of seconds to distribute it for the perusal of the committee members.

**Mrs Cunningham:** I apologize to the committee, but I thought we had them copied and we do not.

**The Vice-Chair:** Might I suggest that it is probably more advisable, in that there are a number of amendments that we just received, that we take a five-minute recess. Before we do, I would like to ask the committee members, especially in light of the fact that hopefully we can get through this today—we have to leave at 5:45—that indeed we be fairly limited in our conversations when we get back into committee.

**Mr Daigeler:** Seeing that we started out late already, I find it very difficult to give anything more than five minutes. I think we would have to be very strict.

**The Vice-Chair:** I am going to have the clerk lock the door so nobody can leave, but the chair is going to give five minutes to pass out these amendments and hopefully we can resume quickly.

The committee recessed at 1625.

1633

**The Vice-Chair:** Members of the committee, as I indicated, we have received a number of Conservative amendments. Having talked to both parties, the chair has been informed by the clerk that there is some concern about some of the wording in some of the proposed amendments. However, for the sake of expediency, we are going to allow the Progressive Conservative member to read into the record the proposed amendments, notwithstanding that fact.

In discussion with Ms Bryden from the New

Democratic Party, the preference is that we will deal with the couple of amendments, I believe, when that section arises.

Section 1:

**The Vice-Chair:** Are there any amendments to section 1?

**Mrs Cunningham:** I will read them in, then. I think the members have their packages. Is that correct?

**The Vice-Chair:** I believe they do, yes. The minister does not have one yet, however. There we are. Go ahead, Mrs Cunningham.

**Mrs Cunningham:** I will read them in and then I will do a short statement on the intent. The definitions are as a result of whether or not we are successful in amending subsections 2(1) and 2(2). We are trying to do that three times, so we have different wordings. You will just have to bear with us. I would like to deal with definitions, although we will not deal with it in that order.

In subsection 1(1), we left out the words "a territory." We did not mean to, so every time the definition comes up, we did not mean to leave out "a territory."

"I move that subsection 1(1) of the bill be amended by striking out the definition of "employer" and substituting the following therefor:

"'Employer' means a person, a territory or a government, including the government of a province, territory or Canada, who pays remuneration to an employee but does not include an employer who is a city, town, village, township or county within the meaning of and for the purposes of the Municipal Act [RSO, 1980, chapter 302], a regional municipality or school board, hospital, college or university who shall be exempt from the tax under this act."

That definition would be in order if we were successful on our first amendment, subsection 2(1).

"I move that subsection 2(1) of the bill be amended by inserting after the word 'employer' and before the word 'shall' the words:

"'except an employer who is a city, town, village, township or county within the meaning of'"—

**The Vice-Chair:** Excuse me. I am sorry, but notwithstanding the previous arrangement, the clerk advises me that you have to move them one at a time or we cannot vote on them.

**Mrs Cunningham:** I move the change in the definition then. Now should I say I move subsection 2(1)?

**The Vice-Chair:** Is there any discussion?

**Hon Mr Mancini:** Can we get David Smith back here, because we may have to vote.

**The Vice-Chair:** Mr Smith, could you take your seat, please.

**Ms Bryden:** Does the mover not wish to make a comment first?

**The Vice-Chair:** No, she is being very considerate.

**Mrs Cunningham:** If I may, in spite of our discussion, this particular definition should not be voted on before I read the next two parts, because it would not apply unless the next two parts were passed first. We should not call the vote on the change in the definition until we have voted on the other two parts.

**The Vice-Chair:** My understanding is that it cannot be done that way; that each section has to be voted on. I pointed out to you that the chair has some significant problem with the validity, if you will, from a standing order point of view, as to the contents of some of the motions. We are trying to be as considerate as we can. However, if we cannot be a little more expeditious, then—

**Mrs Cunningham:** Can we stand down the definition each time and vote on the other two parts?

**The Vice-Chair:** Yes.

**Mrs Cunningham:** Then we would not even have to vote on the definition.

**The Vice-Chair:** Very good.

**Mrs Cunningham:** All right. We will stand down what I just read, and now I will read subsection 2(1). What we are trying to do here is to seek to provide a general exemption which would exempt from taxation in this case, cities, towns, villages—all transfer payment agencies. That is the intent of this; it is very short.

Section 2:

**The Vice-Chair:** Mrs Cunningham moves that subsection 2(1) of the bill be amended by inserting after the word "employer" and before the word "shall" the words:

"except an employer who is a city, town, village, township or county within the meaning of and for the purposes of the Municipal Act [RSO, 1980, chapter 302], a regional municipality or a school board, hospital, college or university who shall be exempt from the tax under this act."

**Mrs Cunningham:** The intent is to exclude transfer payment agencies from this tax.

**Mr Reycraft:** I think I should place on the record the fact that municipalities, universities,



school boards and hospitals all benefit from having employees who have access to a universal health care system. The Treasurer (Mr R. F. Nixon) has provided interim relief to those groups that might have been affected in the 1989-90 fiscal year by the implementation of the employer health tax on 1 January next. He has also just announced transfer payments to universities and hospitals, for example, that have taken into consideration the implementation of such a tax, and I certainly do not support this amendment.

**Ms Bryden:** I would certainly like to support this amendment. In fact, I will support it because that has been one of the main criticisms of this bill, that it applies to the whole of the public sector, which has no other source of money except the taxpayer or government grants, in most cases.

The offer by the Treasurer to look after the people for the first three months of the present fiscal year is really not an answer at all. What are they supposed to do for the rest of the year, unless their grants are increased, or if they have not already struck their tax rate, which they may have? I think a straight exemption of those public sector agencies would make the tax much more fair, and it would appear to members of the public that they are not being taxed twice through what the employer passes on to them and what the regional local government will pass on to them in taxes.

1640

**Hon Mr Mancini:** Can I just say that many of these employers you are speaking about, in fact, pay full OHIP premiums on behalf of their employees. Then their employees pay tax on the taxable benefits. That is a reality. Now, with the employers' health tax, you do not want them to pay anything, when in the past they have always paid. That is one of the principles—

**Ms Bryden:** I am not talking about letting employers off, except public sector employers.

**Hon Mr Mancini:** You want to exempt all these people. That is what you want to do, and

many of these employers have always paid OHIP premiums. That is a fact.

**Ms Bryden:** Because, I say, they have no other source of money except the taxpayer.

**Mrs Cunningham:** Just a comment. Obviously, this is just a different way of getting the money. Instead, the money was collected at the universities by either the employees contributing partially or the university contributing partially; the same for the school boards. Sometimes the individual did pay part of it. Now the individual will not pay part of it. That is the big difference. It takes the responsibility away, in some instances. Through the collective bargaining process or through fairness or whatever, some sense of ownership around a health policy that individuals should be responsible for—it is being taken away. That is just a principle that we do not support.

We think there should be some sense of ownership. In the end, the government, quite frankly, is paying now for most of the premiums. All we are doing now is sending the money back. There has been some relief given to universities, and now, of course, in school boards and where the taxes can be raised at the local level, this will just mean that local taxpayers will pay more towards footing the total health care bill.

That is what it means. We are just saying we do not like that change in direction and therefore we are doing it in this way. You can argue the point, the difference in principle, and this is the one that we prefer and that is why the amendment.

**The Vice-Chair:** I should point out to committee that obviously we are going to have to—the chair has been, I think, fairly indulgent. Notwithstanding what was previously said, I am advised by the clerk that I am compelled to rule, if we deem so, certain motions out of order. Indeed, they are contrary to the clerk's understanding of the rules.

Motion negatived.

**The Vice-Chair:** Mr Mancini moves that the table to subsection 2(2) of the bill be struck out and the following substituted therefor:

TABLE

Total Ontario Remuneration	Rate
More than \$200,000 to and including \$230,000	1.101 per cent
More than \$230,000 to and including \$260,000	1.223 per cent
More than \$260,000 to and including \$290,000	1.344 per cent
More than \$290,000 to and including \$320,000	1.465 per cent
More than \$320,000 to and including \$350,000	1.586 per cent
More than \$350,000 to and including \$380,000	1.708 per cent
More than \$380,000 to and including \$400,000	1.829 per cent

**Mr Mackenzie:** Why the change of \$1 all the way through?

**Hon Mr Mancini:** This is the table that indicates what the rate is going to be. It is to correct a technical drafting error that may have provided a loophole by not expressly specifying a rate of tax payable on part dollar amounts between the top of one remuneration level in the table and the bottom of the next level.

**Ms Bryden:** I thought it was another drafting error corrected.

**Hon Mr Mancini:** That is correct.

Motion agreed to.

**Mr Reycraft:** I move that subsection 2(5) of the bill be struck out.

**The Vice-Chair:** I understand that there is one amendment for subsection 2(2) before we get into subsection 2(5).

I apologize; the clerk advises me that we are doing them according to the subsection. In other words, as I indicated, we were doing the government motions first. I was in error. We have to do the government motion first for that section and any other amendment from any of the other parties before we get into a further subsection of the government, if that makes sense.

Mrs Cunningham, do you have an amendment to subsection 2(2)?

**Mrs Cunningham:** Yes. Perhaps I could—

**The Chair:** Mrs Cunningham, forgive me; having looked at your motion, I have been advised by the clerk that it is out of order and contrary to standing order 54.

**Mrs Cunningham:** Okay. Then I think what I would like—

**Mr Sterling:** Just before you go on, could I ask you why?

**The Vice-Chair:** Why? Because the understanding, as related to me, is that the intent of the motion is contrary to section 54.

Only a minister can make a motion dealing with specific financial—

**Hon Mr Mancini:** As a former minister you should know that, Norm.

**Mr Sterling:** No, I am interested in hearing the explanation here. I understand that only a minister can make a motion to tax the public. The motion here is clearly not to do that.

**The Vice-Chair:** The interpretation is that the intent of the motion is to change the tax rate. Again, the interpretation of the chair is that it is contrary to section 54.

I would point out to you as well, with respect, that you can appeal my ruling to the Speaker.

**Mr Sterling:** I know. I am interested in hearing what you are trying to say because all it will mean is that we will have to put this under the committee of the whole House and try it there perhaps.

**The Vice-Chair:** Absolutely. You have that option.

**Mr Sterling:** I understand the intention of the motion is not to tax anybody but to relieve people.

**The Vice-Chair:** I have ruled on that. If you wish to appeal it to the Speaker, you have that option. At this juncture, let's move on.

**Mr Sterling:** I just thought that one of the problems we have with our standing orders now is that in order for us not to allow the government to run roughshod over members of the committees when they are putting forward amendments, regardless of whether we agree with the chair, what is happening is that if we file a motion with the chair prior to the time, we immediately get a ruling that says, "No, that's it. You can't talk about it. The fact of the matter is that that's the way it is," and if we ask for reasons, then you say, "You're not entitled to reasons. That's the end of the whole matter." It is going to evolve into a situation where people are not going to give you the motion in advance and therefore make the argument before they place the motion, which is counterproductive.

1650

**The Vice-Chair:** I appreciate what you are saying, but in defence of the chair and in defence of the committee, if you had been here at the start of the committee, I would like to make the assertion that the chair has been more than generous, certainly with opening comments and in light of the fact that the committee got the Progressive Conservative motions only when we actually started clause-by-clause. Subsequently, the clerk and staff had to get photocopies and we recessed for five minutes.

The best advice I am getting, according to the standing orders, is that it is out of order. I can understand your frustration, but with respect, I would like to think that most of the other committee members would say that at least I have been fairly fair in my judgements today. You may disagree with that and you have other options.

**Mr Sterling:** No, I am not disagreeing with the fact that you are fair and equal in terms of what you are doing. I am saying that it is the same

kind of situation we run into on committee after committee. When I was negotiating the changing of the standing orders for my party, one of the things that is long past due is a recognition by this parliament and other parliaments—

**The Vice-Chair:** I would love to have this discussion on third reading in the House.

**Mr Sterling:** I would be happy to have it this afternoon, if you do not want to listen to me right now.

**The Vice-Chair:** I have ruled that it is out of order. I would appreciate your consideration to allow the committee to carry on.

**Mr Sterling:** I appreciate your taking advice from the clerk, but I think the minister should keep his comments to himself when we are talking about procedure. I think that advice he may have for you about cutting me off is not appreciated by myself, Minister, therefore I do not like—

**Hon Mr Mancini:** You were not here earlier to see what had happened.

**Mr Sterling:** I was watching the proceedings on the television—

**Hon Mr Mancini:** It was not that impressive, to be very honest with you. My understanding of the rules is that I did not realize until just right now that chairmen's rulings—

**The Vice-Chair:** Minister, I would rule you out of order as well.

Are there any other amendments to section 2?

**Mr Reycraft:** Would you accept an amendment to subsection 2(5) now?

**The Vice-Chair:** Yes, we will; to any subsection.

Mr Reycraft moves that subsection 2(5) of the bill be struck out.

**Mr Reycraft:** If I might explain, the bill as it is currently drafted provides that the January payment would be based on the December payroll for large employers. By striking out subsection 2(5) the implementation date of the tax for all employers becomes 1 January 1990.

**Ms Bryden:** This is the incident I referred to in my opening remarks. When the employers found that they were likely to have to pay another month's tax starting 1 December because of the original drafting, the government quickly drafted an amendment, which is what the repeal of subsection 2(5) does in effect. It meant that the tax would not start any collections based on 1989 payroll, or if it did, it would simply be a figure that could be adjusted after 1990.

There is a story here from the *Globe and Mail*, 28 October 1989, which says, "Ontario Backs Off on OHIP Levy." It says, "Ontario's Liberal government is expected to introduce an amendment to its controversial health tax legislation next week designed to mollify some employers who complain they will be taxed twice to pay for health care," in other words, for the month of December, for which many of them paying, and for the 12 months of 1990.

By striking out this subsection the government has solved that problem for the employers. I hope they will be equally considerate when we get to my amendments, which are trying to solve the problem of double taxation for the pay-direct premium payers, who are also expected to pay extra amounts that are not really contemplated by this legislation.

**Mrs Marland:** I wonder if the mover of the motion could explain why the government is making the amendment to that date and not to be effective 1 April, which is the first date at which the government is without public tax money in one form or another to cover the former OHIP premiums in this province.

**Mr Reycraft:** I would be glad to try again to explain why I have moved the amendment. The January payment has to be based on something. Initially, it was intended that that January payment would be based on the December payroll. However, it was drawn to our attention that the December payroll is not representative of the average monthly payroll of employers in this province because of bonuses being paid at the end of the year, for example, and other reasons. The December payroll of employers tends to be higher than average.

Therefore, it was felt that it would be unfair to base the January payment on the December payroll amount. Furthermore, the January payment is going to be based on the estimated January payroll.

**Mrs Marland:** The assumption that bonuses are all paid at the end of the calendar year would not be an accurate assumption. It would be possible that some bonuses are paid at the end of the calendar year. A lot of bonuses are paid at the end of a financial year, and very often financial years are not the same as the calendar year. I know the member knows that.

When you say that the January payment had to be based on something, the point of my question is: Why do the businesses and the employers of this province have to have a January payment when January, February and March have already been paid by the subscribers to the current OHIP



premium system, whether it is through their employers or by direct payment? It has already been paid for those three months of 1990. So why is the government asking for any payment for those first three months when it has been paid? In other words, why is the government extra-billing the public of Ontario when it would not allow the doctors to extra-bill?

**Mr Reycraft:** Mrs Marland has heard the Treasurer respond to similar questions from her leader in the House on a number of occasions. He and she continue to confuse the employer health tax with health care premiums. The employer health tax is just that: it is a tax. It is not health care premiums. The Treasurer announced in the budget that premium payments would be eliminated effective 1 January 1990. The payments made up to December of this year, of 1989, cover the first quarter of 1989.

That whole concept of having to have premiums paid for health care ceases to exist effective 1 April of next year, but the people of Ontario, who have been paying their OHIP premiums, are expected to pay those premiums up to the end of this year, which will include the period up to the end of March 1990.

Having said that, the government recognized the need to replace the \$1.8 billion in revenue that it was receiving from OHIP premiums. The decision was taken to replace that amount of money, that revenue, with an employer health tax and it was determined that the implementation date of that tax should be 1 January 1990. Employers who are paying all or part of OHIP premiums for their employees will pay those premiums in December. They will not pay them in January. In January, they will pay, instead, an employer health tax.

**Mrs Marland:** I understand very clearly that on the one hand we are talking about premium payments and on the other hand we are talking about a health tax. Is the government being honest here? Is the health tax going to health care? Is the health tax paid by employers—is all of that money going to health care? Is that what is going to pay for what the premium payments went towards before, recognizing that premium payments did not cover the cost of health care? Are we now saying that we are going to tax the employers on behalf of their employees in order to cover the costs of health care?

1700

Maybe while you are answering that, if you are the spokesperson, Doug—I do not know, but if you are—you could also answer the question about which employers are going to be taxed.

And are the people who are not employers, like the self-employed professionals, still not going to be paying for health coverage in a form such as the employees are paying by being taxed?

**Mr Reycraft:** You have asked a number of different questions, Mrs Marland, and I am not sure which I should respond to. Let me say this. All employers will pay the employer health tax. The only exception to that that comes to mind are those who are Indians, as defined under the federal Indian Act.

**Mrs Marland:** Okay. If you happen to be a dentist who did not have any employees then you do not pay any health tax. Is that correct?

**Mr Reycraft:** If the dentist is incorporated, I would assume the corporation pays a wage to the dentist and that payroll would be taxable. If the dentist is not incorporated, the dentist, I believe, would be deemed to be self-employed and therefore would not be subject to the tax.

**Mrs Marland:** Right. Now—

**Mr Daigeler:** On a point of order, Mr Chairman: I appreciate that there can be an exchange back and forth, but I do feel that you have been very, very forthcoming with regard to the discussions this afternoon. We waited about 20 minutes until members came. Then we recessed in order to assemble amendments. We have had public hearings on this matter. I appreciate that the member has not been at public hearings. However, there had been an understanding that we would look at—

**The Vice-Chair:** I would like to interject, Mr Daigeler, to rule that notwithstanding certain feelings that might be expressed by everyone in this room, it is perfectly in order for members of the Conservative Party or any party to talk about it as long as they want.

**Mr Daigeler:** I appreciate that, Mr Chairman, but I am just indicating that we have already provided ample opportunity to express these concerns. In addition, we have provided ample opportunity for the members to be here this afternoon.

**The Vice-Chair:** Thank you for that interjection. Mrs Marland, continue, please.

**Mrs Marland:** I am embarrassed that you, as a government member, Mr Daigeler, would suggest that you have had public hearings. Did you want me to request to be a deputation in order to ask these questions? Do I have to come here as a deputation and be scheduled in order to ask questions on behalf of the people who elect me?

**The Vice-Chair:** Mrs Marland, as I have explained, I have already ruled that you are

perfectly in order and it is perfectly acceptable to ask as many questions as you would like.

**Mrs Marland:** Thank you, Mr Chairman.

**Mr Reycraft:** I am doing my best to answer your questions.

**Mrs Marland:** I would like to get back to the example of a self-employed individual. I am using, perhaps, a professional because I think professionals certainly have ample income in terms of income across this province. If you have a dentist—and most dentists are not incorporated; I am talking about a dentist who is practising without assistants and there are some, or you can talk about any other self-employed individual—he is not going to be taxed in order to be protected in terms of health care. That is correct.

**Mr Reycraft:** Those people will pay income tax and they will pay sales tax. The employer health tax will provide 16 per cent of the revenue that is needed to fund health care in this province. It is a relatively small part of the total cost of the health care system.

**Mrs Marland:** If the health tax will represent 16 per cent of the cost of health care, what percentage of the cost of health care is presently derived from OHIP premiums?

**Mr Reycraft:** On an annualized basis—

**Mrs Marland:** On the same basis that you gave me the 16 per cent.

**Mr Reycraft:** Yes, that is right. It would be, for 1989-90, about 13 per cent of the cost of—I am sorry, is this from OHIP premiums?

**Mrs Marland:** Only from OHIP premiums.

**Mr Reycraft:** Yes, it is \$1.8 billion, which represents 13 per cent of the \$13.9 billion cost to the health care system.

**Mrs Marland:** So what you are saying is that through the health tax the government gains three per cent.

**Mr Reycraft:** That is correct.

**Mrs Marland:** How do you feel about the employer who has to pay tax on behalf of his employee, not in order for that employee to know that he or she has health care but, from your perspective, in order for the health care system to be funded when an individual who is self-employed is not taxed? If a dentist, a doctor or any other self-employed individual does not have staff, the person does not pay any health tax. Why is it that you have that loophole? Why is there the exemption for self-employed people?

**Mr Reycraft:** If you will stop asking questions, I will try to answer one of them.

**Mrs Marland:** Okay, go ahead.

**Mr Reycraft:** First of all, we certainly are interested in the matter of the self-employed. That matter is under review in the Ministry of Treasury and Economics at the present time. There are a number of implications to anything like that, though. The most efficient way to collect such a tax, in my opinion, would be through the standard method of income reporting and tax submission. However, for us to do that would require an agreement with the government of Canada, and we have not been able to achieve that at this point.

I would also point out that the situations you describe, of two professionals, one incorporated and one not, are not exactly parallel. The total revenue per se of the self-employed professional represents payroll as well as profit of that business. If you think of two dentists, one incorporated and one not, I assume the incorporated dentist would declare a certain part of the profit of the business as just that, as profit, and it would be subject to corporate income tax. For the self-employed dentist, the nonincorporated one, the profit, in essence, will become his total reportable income.

**Mrs Marland:** Right.

**The Vice-Chair:** Mr Mackenzie wishes to comment. Is it on the subject at hand?

**Mr Mackenzie:** Supplementary.

**Mrs Marland:** Go ahead.

**Mr Mackenzie:** All I want the member to tell us in his response is whether it is or is not a fact that the self-employed doctor, lawyer, professional, you name it, will be getting a break that others will not be getting by not having to pay or not being assessed the payroll tax?

**Mr Reycraft:** Self-employeds will not be subject to the payroll tax. However, they will contribute to the income taxes and sales taxes that go into the consolidated revenue fund to pick up the 84 per cent of the cost of health care that is funded from those kinds of taxes.

**Mr Mackenzie:** I think we all realize that. The only point I am making is, is it not in fact the case that they will be better off than somebody else?

**Hon Mr Mancini:** The ministry has undertaken to look at this matter further. If memory serves me correctly, I think we have turned over some information to the critics that indicates that in the other provinces, and my officials can correct me if I am wrong, the self-employed do not pay the payroll tax there. Am I correct? Yes. There are some significant problems with that, but I have

asked my officials to look at the matter, along with the Treasurer, of course.

**Mr Mackenzie:** Such as a self-employed person possibly paying an extra quarter per cent, half per cent or whatever it might work out to in tax?

**Hon Mr Mancini:** We do not have any answers to the matter yet, but we want to explore the matter.

**Mrs Marland:** Is the government not embarrassed to sit here today in the final clause-by-clause of this bill and say that the ministry does not have the answer to this question, that the ministry is looking further into this?

**Hon Mr Mancini:** We have already answered that.

1710

**Mrs Marland:** Excuse me. How would you consider bringing forth legislation that is not equitable to everyone in this province? How would you consider bringing forward something that is so poorly drafted that you have these inherent exemptions in it which I quite frankly think are totally unfair? That is what the public is saying.

I will give you a perfect example of somebody who is self-employed, and which I know you are all familiar with, where a real estate salesperson can claim to be self-employed and therefore he or the broker he works for does not have to pay an employer health tax, even though individually he is not a broker, he is an individual salesperson.

The fact that those loopholes exist should be an embarrassment to you. If you are so bent on using another form of tax grab, as you are with the health tax, why would you not wait until you have a piece of legislation where the minister does not have to sit here saying, "We're looking further into this"? Why was it not looked into before?

Interjection.

**The Vice-Chair:** Excuse me. I would ask all members of the committee to at least wait for the chair to recognize you before commenting. It would be greatly appreciated.

**Hon Mr Mancini:** Mr Lawrie was going to make a suggestion to Mrs Marland.

**Mr Lawrie:** There is a very simple reason why the self-employed were not included in the tax. It was impossible to include them by January 1990. The reason for that is there is no up-to-date tax roll available for the self-employed population. The best we can do would be the 1988 personal income tax roll, which we do not receive from the

Department of National Revenue until November 1989. Because the population of the self-employed is volatile, in the sense of many exits and many entries, some of the information would be 22 months out of date. Because of this problem, we have advised the Treasury that the best way to include the self-employed would be through the personal income tax system. In order to do that, the federal government's agreement has to be obtained. It was too late to obtain the agreement for 1990 at the time the tax was introduced in the budget.

**Mr Orsini:** I would like to respond on the issue of the independent contractors in the real estate industry. We have had many discussions with Revenue Canada, and the reason why they are deemed self-employed is for one basic reason: they have absorbed greater risk than the employee would. In many cases, they have to pay a fixed charge to the broker to cover administration costs whether they make sales or not. In that sense, as the courts have ruled in other cases, they are not really employees; they have a chance of profit and a risk of loss. In that sense, Revenue Canada does not treat them as employees. They are treated as separate, distinct individuals. So it is not a loophole in the tax base; it is in the sense that they are not employees as defined by Revenue Canada. The other provinces have paralleled that definition and we have done the same. We are looking at other ways and other options of addressing that issue, but as the tax is defined now, there is no loophole. They are not in the base.

**Mr Mackenzie:** I do not want, on my part, to carry it on any longer, because I think the point was made. There has been an admission here that they do get treated better than somebody else does: a self-employed person is not having to make a payment. I think the perception also has got to be taken a look at. In most cases, in terms of self-employed people, you are looking at doctors, lawyers, dentists. Even if you take real estate agents, if they are good ones—and I know two or three in my riding—their incomes are \$70,000, \$80,000, \$90,000, \$100,000 and \$120,000 a year. You are taking a look at some people many of whom are making a pretty nice buck. So the perception is that you have a problem here.

I think the income tax route is—I have had one of the first, to me, explanations. I am not sure it is reason enough that you should not have taken a look at some kind of a surtax or an income tax approach to it, but the time frame needed to establish it makes some sense. I think today, at



least for me, it is the first time I have even heard that argument made.

**Mr Orsini:** In terms of whether or not the self-employed with high incomes would be better off, it depends on that level of income. The one per cent increase in our personal income tax rate will capture those significantly higher earners. So it is difficult to say whether they are better off.

**Mrs Marland:** I want to say that at least I appreciate the directness of the staff response. I think it is rather interesting to know that the real answer is that it was impossible to include this category by January 1990. That is really significant because that comes back to my original point, which is that you did not need the money for a health tax by January 1990, because it was already paid to the end of March 1990. When you speak, Doug, about its being a federal government area, because you are talking about—

**Mr Reycraft:** Most people have to have an agreement with the federal government.

**Mrs Marland:** But did you ask the federal government if it was okay—

**Mr Reycraft:** We cannot change their income tax report forms.

**The Vice-Chair:** Mr Reycraft, I would ask you to let Mrs Marland finish, please.

**Mrs Marland:** That is right, you cannot change the income tax. The income tax is federal. But would you agree that this health tax is totally provincial? It is totally the provincial Liberal government that is deciding to use a health tax as another form of income, another form of tax grab by the government. Although you are going to be saying, "We've done away with OHIP premiums"—for the very small percentage of people who did pay OHIP premiums—interestingly enough, a lot of these self-employed people whom the other part of my question pertained to were people who did pay direct one-to-one OHIP premiums.

Is not the benefit of doing away with OHIP premiums, which on the surface sounds marvellous because nobody has to pay them any more, ironic? When you look at the reality, at the small percentage who were paying them, it begs the question as to who in the long run is going to be paying this health tax. Every one of us with any intelligence knows that the employer cannot pay the health tax. The employer submits the health tax, but it is the employee who is going to end up paying the health tax, because an employer cannot afford to give a cost-of-living increase or a merit increase on top of paying a health tax to the Ontario government. So it is the employees

who will lose, and they lose because most of them have already, as a benefit package, negotiated to have their OHIP premiums paid for by their employers. Now the benefit package changes because the OHIP package is no longer necessary, but the employers are paying far more, by your own figures, than they were paying for OHIP before. They are paying far more through the health tax.

The fact of the matter is that even with this health tax legislation which we are discussing this afternoon, you still have inequities. How can you as a government be proud of bringing in a newly drafted bill that has loopholes, that has inequities and that does not address fairness for everyone who pays, by your own words, Mr Reycraft, income tax in this province? Are we now going to say, "We're going to have a certain kind of income tax for one group of people and for another group of people we're just going to have the health tax"? It is going to depend on what your job is, where you work, whether you are an employer or whether you are not an employer. There are going to be all these differentials, depending on whether you have staff or you do not have staff. Are you not concerned about the inequities?

**Mr Reycraft:** Again, I have been confronted with a number of questions. First of all, I am delighted to agree with Mrs Marland that it is the Liberal government that has decided to eliminate OHIP premiums and put \$1 billion back into the pockets of the people of this province. I also agree that it is the Liberal government which has determined that it should introduce a payroll tax to replace the revenue that is thus surrendered.

1720

The idea of such a tax is certainly not new. Quebec has one. Manitoba has one. We know that 85 per cent of our trade is done with the United States and many of those employers, the biggest majority of those employers, are paying all or part of private health care premiums for their employees and the average cost to those businesses is considerably higher than what the cost will be to the average Ontario business that will be paying this employer health care tax.

**Mrs Marland:** If you are going to start comparing provinces and the United States, then you have to get into more detail and compare levels of income tax.

Would you agree with one item? Would you agree that the double billing that you are doing under the guise of health tax between 1 January and 31 March is going to net you an additional

half a billion dollars that you would not otherwise have? Would you agree with that figure?

**Mr Reycraft:** No. There is no double billing; there is no double paying; there is no double taxing; there is no double collecting.

**Mrs Marland:** How do you say that to my constituent who, having paid his OHIP premium until 31 March, has already been told by his employer that the two per cent he is being taxed is going to have to come out of his pay package? How are you going to say to that constituent, who is mine and yours—I must tell you this; the government represents everybody in this province, so there are people in my riding you are answerable to—when you take two per cent out of his pay package through this bill and you have already taken money from him through his OHIP premium, how can you sit there and say it is not double billing for those three months? It is a colossal nerve; I do not know how you can deny it. The facts are there.

**Mr Reycraft:** The employer cannot, as you alleged, Mrs Marland, tell his employee that he is going to take the—not two per cent but 1.95 per cent—

**Mrs Marland:** Oh, yes, I am sorry; I missed 0.5 per cent.

**Mr Reycraft:** —maximum rate of payroll out of the employee's paycheck. That is not permitted.

**Mrs Marland:** It is not permitted for him to say that?

**Mr Reycraft:** It is not permitted for him to do that.

**Mrs Marland:** Oh, I see, so what you are saying—

**Mr Reycraft:** He can do that only if he has the written consent of the employee.

**Mrs Marland:** If he does it another way, which means that he does not give that employee his merit raise starting in January because he simply cannot afford it, he is a small businessman and he pays as much as he can in wages to get the best people he can possibly have work for him and leave himself with a small percentage of margin of profit and he does not have two per cent—I beg your pardon, 1.95 per cent—he does not have almost two per cent to play around with between his margin of profit and what it costs him to do business and what it costs him to do business is what he pays his employees, if he now has to pay two per cent of his payroll to the government, how can he afford to continue to

pay those employees what they might otherwise have had?

Sooner or later that employee is penalized. That same employee, through one system or another, has already paid his OHIP premiums for those three months. Perhaps you could tell me how much will be collected in OHIP premiums for those three months, or maybe the staff could answer that.

**Mr Reycraft:** It will be three months, so it will be about 25 per cent of \$2.1 billion. A little better than \$500 million will be collected in that three-month period.

**Mrs Marland:** Is that not what I just said to you? I just asked you that, whether it was \$500 million.

All right, I am asking you, but I do not mind who answers the question, can you tell us how much will be collected in the first three months of 1990 under the payroll tax?

**Mr Reycraft:** Is that not the question that I just answered?

**Mrs Marland:** No.

**Mr Sterling:** In the first one you said what you would get under the OHIP premiums.

**Mr Reycraft:** Oh, I am sorry. I misunderstood the last question then.

**Mrs Marland:** You have already collected three months of OHIP premiums.

**Mr Reycraft:** The government will not collect any OHIP premiums in January, February, March or any month after 1 January 1990.

**Mrs Marland:** No, Doug, you cannot get away with it like that. They have already collected.

**Mr Reycraft:** That is the truth.

**Mr Sterling:** How much will they collect for January, February and March in premiums from the people of Ontario?

**Mr Reycraft:** The government has been collecting its OHIP premiums monthly from employers on behalf of their employees for I do not know how many years; since we went to that system. I do not know how much it is monthly.

**Mr Sterling:** We know that. How much will they collect for January, February and March of 1990 from employers and people in OHIP premiums?

**Mr Reycraft:** I cannot answer that question, but I think I probably can get the answer for you very quickly. Mr Orsini can help you.

**Mr Orsini:** There are no premiums collected in the January, February and March period, but

the payments made for January, February and March would amount to approximately \$435 million.

**Mrs Marland:** Thank you. That is the answer I was looking for. So for that purpose in the first three months of 1990 we have almost \$1 million. It is like when you rent an apartment and you pay the first and last month's rent, and I am sorry, the last month's rent does not suddenly disappear; it is there. The government has the last three months' rent for health care protection in this province on behalf of those employees, whether or not they pay direct, whether they have paid through their employers or they are self-employed. What we have now under this bill is that you are keeping all of that money.

It is impossible to understand, if you were going to start this tax system as a replacement for OHIP premiums, why you would not have been honest enough to start it on 1 April—that is one thing—and why you would not have let the premium period run out to 1 April and then say, "Okay, from now on, no more OHIP payments; we are going to have health tax instead." That would have been more ethical, more representative, and something that the public at least could have understood, but the people do not understand being extra-billed for three months.

The businesses that have to pay it certainly are going to let you know what their feelings are in the next election, because people are not blinded and shortsighted on these issues. They understand very well, because anybody who does business has money coming in and going out. When the government suddenly comes along and says, "Oh, for these three months we want to take a little extra money from you," that little extra money may in fact be the breaking point for that business's survival.

Small business in this province is the most major employer. Small business in this province creates more jobs and has more people working than any other business in this province. When any other sector, including the public sector, is penalized as it is under this legislation, there is going to be some accounting and the accounting is going to be at the feet of the Liberal government.

What you are saying is that you are going to let the bill go through without any amendments to deal with the loopholes that we have been discussing. As for the fact that you do not have the income tax figures for the current year, did you think at all of using the income tax figures of the previous year, as is often the case with a lot of taxing?

**Mr Reycraft:** It is not the figures you need, Mrs Marland, it is the names.

**Interjection:** Companies go broke.

**Mr Reycraft:** No, self-employed.

**Mrs Marland:** I heard that it was both. I heard that the answer was that they did not have the incomes reported.

Would you think of making some kind of commitment to equity within a certain period of time? How long are you going to wait to make the legislation equitable so that at least if everybody is going to be taxed, everyone is going to be taxed, it is not just small businesses and small employers and large corporations that are going to be paying a health tax? How long is it going to take you before at least your health taxation is going to be equitable across the province?

1730

**Mr Reycraft:** I cannot give you a specific time, but I can tell you that we are interested in dealing with the issue of self-employed as quickly as possible.

**Mrs Marland:** Did you not want to deal with it before you brought the legislation in?

**Mr Reycraft:** There was simply not time to do that.

**Mrs Marland:** You or your staff, or whoever it was who drafted the legislation, must have known what the problem is with self-employed people. It was not something that suddenly happened.

**Mr Reycraft:** Of course. Quebec has had an employer health tax for 14 or 15 years now and it still has not been able to resolve the issue of self-employed.

**Mrs Marland:** Would that not tell you something about how—

**Mr Reycraft:** It tells you it is a problem not easily solved.

**Mrs Marland:** Yes, but would it not tell you something about how inequitable this health tax is? Would it not tell you that if they have not been able to resolve it in 14 years, it will not be resolved probably any sooner in Ontario and it will continue to be inequitable?

**Mr Reycraft:** No, it does not tell me that at all.

**Mrs Marland:** In other words, when the minister says that the ministry is looking into it and you tell me that Quebec has been looking into it for 14 years, that tells me that the loophole now—

**Mr Reycraft:** I did not say that.



**Mrs Marland:**—under which self-employed people will not have to pay a health tax will remain.

**Mr Reycraft:** I do not know how actively Quebec has been pursuing the problem. I do not know that they have been looking into it for 15 years. I simply know that at this point they have not introduced a method of taxing self-employed for an employer health tax.

**Mrs Marland:** They were your words, they were not mine, so if you said that is the situation in Quebec, I am simply saying that if you knew that was the situation in Quebec, why would you not have addressed it before you brought this legislation in? It is indefensible. The whole thing is such a mess. It is unjust, it is unfair and it is inequitable.

**Mr Reycraft:** You probably support user fees.

**Mr Sterling:** What has that got to do with this legislation?

**Mr Reycraft:** Because what we have done is eliminate OHIP premiums effective 1 January 1990, and that means—

**Mrs Marland:** That is such a charade. It is a charade if you are saying that you have done something for the people of Ontario. It is an absolute farce for you to say, "We have eliminated—

**The Vice-Chair:** Might I interject here and ask the committee members their indulgence to wait for the recognition of the chair in responding to certain statements?

**Mr Reycraft:** I think I have answered Mrs Marland's question.

**Mrs Marland:** If you say that what you have done is eliminate OHIP premiums, there is no argument about that. That is right. There are no more OHIP premiums. But the people who are working in this province who paid for OHIP, through one method or another, either through their employee packages, their benefit packages, their negotiated contracts or paid direct, those people who no longer will be paying through any system at all what is called an OHIP premium, are going to be paying very much more: by your own figures, three per cent. I guess three per cent of \$14 billion is quite a lot of money. Obviously, the provincial Treasury is going to have 16 per cent income through this health tax whereas before, through OHIP premiums, it had 13 per cent income.

Who do we think is paying the additional three per cent but those people who do business and the people who work for those people doing business in this province? Every single worker-employee

in this province is going to be paying more money, by your own figures three per cent more of \$14 billion, than he or she did pay when paying OHIP premiums, because for sure, the employer health tax does not come off the wall or a tree, but off the backs and out of the pay packets of every employee in this province.

**Mr Sterling:** I have an amendment to subsection 2(5).

**The Vice-Chair:** You cannot move any amendments. There is a motion on the floor in regard to a specific amendment.

**Mr Sterling:** Okay. It is the same subsection, but it would be after the government motion then.

**The Vice-Chair:** Thank you. We are voting on subsection 2(5). All those in favour?

All those opposed?

Motion agreed to.

**Mr Sterling:** I realize that I am not a substitute member of the committee, but I guess the committee could accept a motion by me if in fact there were unanimous consent on the part of the whole committee to accept this motion. The alternative, of course, is for us to discuss it in the Legislative Assembly in committee of the whole House. I think that Mrs Cunningham, who unfortunately had to leave the committee, left with you a copy of the motion to subsection 2(5).

**The Vice-Chair:** Let me interject, if I may. I can only accept your or Mrs Marland's moving a motion if indeed there is unanimous consent of the committee.

**Mr Reycraft:** I am aware of the fact that the Legislature can by unanimous consent change or waive any standing order. Is it correct that a committee can do the same thing?

**The Vice-Chair:** Yes, it is, I am informed by my very capable clerk.

**Ms Bryden:** But Mrs Cunningham was not able technically to table them until we got them.

**Mr Reycraft:** I know Mrs Cunningham has other matters to pursue these days. She is extremely busy and occupied with personal matters, so I do not think there is any objection.

**The Vice-Chair:** In essence, what you are doing would be negating the fact, if you will, that both Mrs Marland and Mr Sterling are improperly subbed.

**Mrs Marland:** We are not improper, we are just not subbed.

**Mr Reycraft:** If I can do something to make Margaret legitimate, I am more than happy to do it.

**The Vice-Chair:** Is there unanimous consent for Mr Sterling or Mrs Marland to read into the record—

**Mr D. W. Smith:** Are you setting a precedent, Mr Chairman?

**The Vice-Chair:** I think I have been setting a precedent since I sat down in this chair. Is there unanimous consent for either of the Progressive Conservatives to read into the record Mrs Cunningham's amendment?

Agreed to.

**The Vice-Chair:** Mr Sterling moves that subsection 2(5) of the bill be struck out and the following substituted therefor:

"2(5)(a) The rates of tax established by this section shall not be increased for a period of three years following the day on which the act receives royal assent.

"(b) After the rates of tax established by this act have been in force for a two-year period, the tax established by this act shall be referred to a standing committee of the Legislative Assembly.

"(c) The standing committee shall review the impacts of the tax established by this act on employers and employees, on job creation in the province and on municipalities, school boards, colleges and universities and on the financing of the Ontario health care system.

"(d) The standing committee shall report its findings to the Legislative Assembly and shall make a recommendation as to whether this act should be continued unchanged, be amended or be repealed."

**Mr Sterling:** I think it is on page 12.

**The Vice-Chair:** Page 11, I believe. All those in favour—

1740

**Mr Sterling:** Just a minute. I just want to say that this effectively freezes the rate for a period of three years and then gives a legislative committee the opportunity to look at the effects of this tax on businesses and school boards and municipalities and then report back to the Legislature.

This has been done with other legislation. Primarily, it was done with the Freedom of Information and Protection of Privacy Act, for instance, in dealing with the effects of that, and the standing committee on the Legislative Assembly is going through a review of that act in the very near future. It tries to answer in some way the concern of many people that the tax will be increased as we go from year to year and it will just be edged up from the two per cent to three, to four, to five, etc.

**The Vice-Chair:** All those in favour of the amendment?

All those opposed?

Motion negatived.

**Mr Daigeler:** In view of the time that is progressing, and I understand there is a vote in the House very shortly, I would like to move that we request of the House leaders that we sit on Monday and Tuesday nights next week.

**Ms Bryden:** Is there any reason why we cannot sit next Thursday or the following Thursday?

**Mr Daigeler:** Yes, because apparently there is a time frame within which the bill has to be reported for third reading. There are 48 hours for the deposition. I think the clerk would be able to answer that question.

**Ms Bryden:** Would next Thursday not be within that time frame?

**Mr Daigeler:** No, that would not be early enough.

**Ms Bryden:** I cannot understand that.

**Mr Sterling:** I do not think the House leaders are going to be meeting before Monday, so it is going to be pretty tough to get approval to meet Monday afternoon.

**Mr Marland:** I thought the House was sitting next week in the evenings.

**Mr Sterling:** It is on next Wednesday evening.

**The Vice-Chair:** I think it is one evening; Wednesday evening, I believe.

**Ms Bryden:** But the committee does not have permission to sit in the evening without permission from the House.

**The Vice-Chair:** That is correct.

**The Vice-Chair:** As I understand it, that is the motion you moved: that the committee ask the House leaders for permission to sit Monday and Tuesday.

**Mr Daigeler:** That is correct.

**The Vice-Chair:** Are you talking following routine proceedings of the House, or in the evenings here?

**Mr Daigeler:** The evening sessions.

**The Vice-Chair:** Knowing full well that technically we are only going to sit, at this juncture, as a House, Wednesday night.

**Mr Daigeler:** That is correct.

**The Vice-Chair:** What is being proposed, as the chair understands it, is that the House leaders be approached for the committee to sit and deal

with further discussion of clause-by-clause of Bill 47 Monday and Tuesday evenings, knowing full well that, as the schedule was indicated to, I think, most members today, the House only plans to sit next Wednesday evening.

**Ms Bryden:** I am not available.

**Mr Daigeler:** Unless the committee is agreeable that we refer back the bill unfinished to the House. We can do that, as well, and we can have discussion.

**The Vice-Chair:** Are you making that part of your motion, Mr Daigeler?

**Ms Bryden:** What about his first motion?

**Mrs Marland:** Has Mr Daigeler been out and got his marching orders from the whip or his House leader? He went out and he has come back in and he has moved this motion. I am not at all sure that the motion is in order; that committees can sit in the evenings under our new orders. In the new orders, there is provision for the House to sit in the evenings.

Interjections.

**The Vice-Chair:** Let the chair rule on this. I am told, Mrs Marland, from an unequivocal source that it indeed is in order.

**Mrs Marland:** In fairness, Mr Sterling and I are not regular members of this committee and I think it is unfair for this motion to be placed when the two members who are the regular members, plus another member of the opposition party, are not here to vote on it. I really think that would be rather unfair.

**Ms Bryden:** Can we not refer this to the steering committee to find a suitable date when we can continue? I may say that when you pick Wednesday night for the House, you are picking the date of the New Democratic Party's Christmas party.

**The Vice-Chair:** Mr Daigeler, would you like to comment? I understand that it can only go to the steering committee if you withdraw your motion.

**Mr Daigeler:** I am prepared to withdraw the motion. However, we would have to request that we refer the bill back to the House unfinished.

**The Vice-Chair:** Are you withdrawing your motion then and are you moving the second motion?

**Mr Daigeler:** Yes.

**The Vice-Chair:** Mr Daigeler moves that we refer the bill back to the House unfinished.

You have withdrawn your first motion and you are moving that we refer the bill back to the House.

**Mr Daigeler:** Right.

**The Vice-Chair:** And that we not proceed further.

**Mr Daigeler:** Right.

**Mrs Marland:** I understand very clearly what is happening here, but I say, with respect, that both of these motions are unfair when the two members who have been carrying this legislation are not here and one of the NDP members is not here. Your motion will not pass, because we will use the 20-minute call time.

**The Vice-Chair:** Might I interject? I appreciate your comments but, as I am sure most of us know, including yourself, they certainly do have the right to have subs in their stead at their option. So, quite frankly, the chair finds your argument somewhat wanting.

**Mrs Marland:** Did you hear my last argument, which was that I would use the 20 minutes to call the members for this motion?

**The Vice-Chair:** You cannot do that, unfortunately, because you are not a bona fide sub.

**Mrs Marland:** All right. Will you have a quorum if—

**The Vice-Chair:** Yes, we will.

**Mrs Marland:** With four government members would you have a quorum if we decide to leave?

**Ms Bryden:** I think there is a vote right now.

**The Vice-Chair:** There is no bell that I am aware of.

**Ms Bryden:** You may not be hearing it in here.

**The Vice-Chair:** If I might, ladies and gentlemen, there is a motion on the floor for the bill to be reported uncompleted.

**Ms Bryden:** Does that mean it does not go to the committee, further?

**The Vice-Chair:** It means it is out of this committee.

**Ms Bryden:** It would have to go into committee of the whole.

**The Vice-Chair:** Yes.

**Ms Bryden:** That is very difficult to find time for, too, in the House.

**The Vice-Chair:** Any further comments on the motion?

**Ms Bryden:** I say let the steering committee find a time.

**The Vice-Chair:** Mr Daigeler, any further comments?



**Mr Daigeler:** I think we are ready to vote.

**The Vice-Chair:** All those in favour of the motion?

All those opposed?

Motion agreed to.

**Mrs Marland:** Is the minister a voting member then?

**The Vice-Chair:** Yes, he is. He is properly subbing.

**Mrs Marland:** Oh, I see.

The committee adjourned at 1750.

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## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

**Chair:** Mahoney, Steven W. (Mississauga West L)

**Vice-Chair:** Ferraro, Rick E. (Guelph L)

Carrothers, Douglas A. (Oakville South L)

Cunningham, Dianne E. (London North PC)

Daigeler, Hans (Nepean L)

Haggerty, Ray (Niagara South L)

Hošek, Chaviva (Oakwood L)

Mackenzie, Bob (Hamilton East NDP)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Reycraft, Douglas R. (Middlesex L)

Runciman, Robert W. (Leeds-Grenville PC)

**Substitutions:**

Faubert, Frank (Scarborough-Ellesmere L) for Ms Hošek

Mancini, Hon Remo, Minister of Revenue (Essex South L) for Mr Haggerty

Smith, David W. (Lambton L) for Mr Mahoney

**Also taking part:**

Marland, Margaret (Mississauga South PC)

Sterling, Norman W. (Carleton PC)

**Clerk:** Freedman, Lisa

**Staff:**

Anderson, Anne, Research Officer, Legislative Research Service

Rampersad, David, Research Officer, Legislative Research Service

**Witnesses:**

**From the Ministry of Revenue:**

Mancini, Hon Remo, Minister of Revenue (Essex South L)

Lettner, Jack, Assistant Deputy Minister, Property Assessment Program

O'Dowd, Michael, Acting Director, Assessment Policies and Priorities Branch

Sholtack, Gerald, Director, Legal Services Branch Toronto

Lawrie, Roy, Assistant Deputy Minister, Tax Revenue and Grants Program

Evans, Jim, Project Director, Employer Health Tax Project

**From the Ministry of Treasury and Economics:**

Black, Don, Assistant Director, Taxation Policy Branch

Orsini, Stephen, Senior Economist, Taxation Policy Branch

**From the Ministry of Health:**

Fleming, Mary, Analyst, Planning and Design, Health Insurance Division

# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Wednesday 20 December 1989

The committee met at 1601 in room 151.

### ORGANIZATION

**The Chair:** I think we will call the committee to order. I see a quorum. The standing committee on finance and economic affairs is here to receive a briefing from the Treasurer (Mr R. F. Nixon) on the outlook of the budget and to go through and discuss some of our plans for prebudget hearings. There are also staff from Treasury here to answer questions. I would like at this time to have questions from members. Mr Daigeler, you had a question first.

**Mr Daigeler:** I understand that the vice-chairman has resigned and that perhaps it would be proper to elect a new vice-chairman.

**The Chair:** I have a letter from Mr Ferraro, resigning as vice-chairman of the committee. Are there nominations? I will take nominations for vice-chairman.

**Mr Daigeler:** I would like to nominate Mr Faubert.

**The Chair:** I have a nomination for Mr Faubert as vice-chair. Are there any other nominations?

I declare Mr Faubert duly elected. Congratulations.

**Mr Faubert:** Thank you.

### PREBUDGET CONSULTATION

**The Chair:** Now I think we will move on, and without any further ado, I will introduce the Honourable Robert Nixon, the Treasurer, to give us an overview.

**Hon R. F. Nixon:** I am glad to appear before the committee. The day is somewhat appropriate since the budget that I presented to the House in the spring of 1989 is going to be voted on by the House today, followed by the presentation of the supply bill, which will give the formal and traditional approval to the expenditure for fiscal 1989-90. This is about \$40 billion, a bit more than that. In round numbers we are spending about \$110 million every day. I may have stretched that or contracted it a little bit.

I have asked a number of staff members from Treasury to be present so that we can have the technical response to questions that you might put forward, as well as the deputy, whom I will

introduce in a moment. Dr Bob Christie, the chief economist for the province, will be taking part. He is responsible for the presentation and the gathering of the facts and material for the publication *Economic Outlook and Fiscal Review, Ontario 1989*, which I tabled in the Legislature a little bit more than a month ago.

The *Economic Outlook* is an innovation that was begun during my tenure as Treasurer, and I am quite proud of it, since it really is the benchmark, as far as indications are concerned, for government policy during the coming calendar year. It is up to date, although in each instance the economy changes in a way that economists predict but, of course, never quite get right. That is why on a day-to-day basis the members of the Legislature, asking questions of various ministers and sometimes of me as Treasurer, express their concern and offer their advice as to how government policy can counteract the downsides of the changing economy.

There is no doubt that the economy of the province, which has been so strong and buoyant for the last five or six years, is reducing in the strength of its rate of expansion. The projection a year ago was that the rate of expansion this year would be about 2.8 per cent real growth, and the economists who are here indicate that by the end of the year, with all of the averages and adjustments of numbers that they are capable of, they will be seen to be very close to that projection.

However, this indication for next year shows that the rate of increase will once again reduce somewhat to about two per cent. Even at that rate, that is among the higher projections that we see coming from the banks and various centres of economic projection right across the country but particularly from Toronto and Ottawa. We are quite confident, however, that the Ontario economy is maintaining a substantial buoyancy.

As a farmer, I suppose I have a certain outlook on these things—certainly it is not professional, as you all know. I tend to be somewhat pessimistic and watch for signs and ask the officials to be sure I am informed on a regular basis of any indications by way of changes in our tax revenues or our projections that come from all sources that would give us as much indication in advance as



possible of changes that are outside the parameters of our own projections.

The officials I think have been very good at that. All that information is, to as great an extent as possible, public and is available to the members of the Legislature and other interested people. I say that only to indicate that I do not feel that Treasury and this Treasurer are unnecessarily optimistic about the future. Therefore, when I say that I am quite confident that real growth will continue during the coming calendar year, it is on that basis. The projection is for about two per cent real growth. There is some indication it might be a bit lower than that, but we stand by that.

The budget discussions that we are entering into, frankly, beginning with this discussion at this committee, will result in a statement that I will be making to the Legislature, God willing and Mr Peterson willing, some time in May or late April, which once again will indicate how our revenues might be adjusted and how our expenditure programs would take into consideration the needs that the government, advised by me in this instance, sees for that particular fiscal year.

The Economic Outlook has been in your hands now for six weeks. There are some interesting and useful comment by the press when it was first tabled. I know that you, as members of this committee, having perused the contents carefully and committed most of it to memory, from time to time would be using this in your presentations to the House and to the public at large.

We thought it would be useful if I and the officials of Treasury be available for any comments or questions that you might make, either in the narrow sense or in whatever broad sense you choose, in connection with the fiscal position of the province or the economy as it now is or how we expect it to unfold during the next calendar year.

**The Chair:** Thank you, Treasurer. We have questions from Ms Hošek.

**Ms Hošek:** I was looking at the distribution of Ontario's expenditures chart, which has 1978-79 and 1979-80 and then 1988-89 and 1989-90. It looks as if social expenditures started out at about 64 per cent of the budget and, in 1988-89 and 1989-90, they are now at 68 per cent of the budget. But just looking at it crudely, the biggest change I can see is that health went from 28 per cent of the budget to 33 per cent and education went from 25 or 24 per cent down to 19 per cent. Could you comment on that?

**Hon R. F. Nixon:** Yes. Some aspects of the answer are not that pleasant, but when it comes to health, the government of Canada, which initiated our medicare program, did so on the basis of sharing the cost 50-50 with any province that wanted to proceed with the program. That is when it began back in the 1960s, a long time ago. At the beginning of this decade the federal share of OHIP was a bit more than 50 per cent, 51 per cent, and it has now depreciated, as the costs of medicare have rapidly expanded, until it is about 38 per cent. Therefore, it has been necessary for the provincial Treasury to make up an inordinately large proportion of the rapidly expanding costs.

In the case of education, where I would defend the absolute numbers and indicate the percentage increases year by year as an actual share of the overall budget, we are in somewhat the same position as the government of Canada is, just to put it as fairly as I can. The school boards are essentially in control of their own budgets; they are democratically elected and in most instances those budgets have expanded by 12 to 15 per cent yearly over many of these years. While our support in absolute dollars has expanded well in excess of inflation rates and we hope also in excess of the costs of programs that we have mandated, still we have not maintained our proportion of the expanding local costs of education.

I believe at one time for the total costs of public and separate education, the provincial Treasury paid just under 60 per cent and it has been the goal, I believe, of all political parties to try to maintain that proportion. Unfortunately, we have fallen a bit short of that goal and we are between 40 and 45 per cent in support at that stage.

#### 1610

Both of these public services of great importance have expanded rapidly in costs and importance. In one case, I would say the federal government has not maintained its share and in the other case, the provincial government has not maintained its share. I think that this is the sort of decision that we have had to make. Our predecessors have had to make similar decisions. Do you want to pursue that?

**Ms Hošek:** In this chart—I do not have the exact figures and I do not expect you to either—but the thing I was concerned about was the colleges and universities part of this. I would like to know at some point if the colleges and universities part of the pie has changed significantly from 1978-79 to now.

**Hon R. F. Nixon:** It is 25 per cent for schools, colleges and universities.

**Ms Hošek:** Altogether.

**Hon R. F. Nixon:** Yes, that is right. I am not sure whether I can give you that information now or not.

I think it would be useful if I introduced to the committee someone you already know, the Deputy Treasurer, Bryan Davies. Maybe these people would come to the table so that they can contribute directly. Dr Bob Christie, our chief economist, and Bryan may want to bring other officials up. Tom Sweeting is our acting assistant deputy minister on fiscal and taxation policy.

**The Chair:** Mr Davies, do you have a response to Ms Hošek?

**Mr Davies:** I would have to find the answer for that. I do not believe that that is displayed right in this book that we are looking at right now, but I think that we can have an answer for you shortly. If I understood the question, it was a breakdown of education, schools, colleges and universities component into its subparts.

**Ms Hošek:** Over the 10-year period.

**Hon R. F. Nixon:** Essentially universities, presumably, as a share of the total budget then and now.

**Ms Hošek:** I am simply looking at the way our social expenditures go. I understand the pressures we are under on health, quite a lot. But if the direction we are going in continues to be the tradeoff, then I think we have a problem. That is the area I am interested in.

**Hon R. F. Nixon:** One of the things I might have mentioned, I suppose one of the justifications or reasons why our proportion of the costs of education has gone down is that the school boards under our legislation have access to their own tax base. The universities, of course, do not, other than tuition, and we of course control that as well, so they are in a sort of a box which they very properly bring to our attention.

**The Chair:** Are there other questions from committee members for either the staff or the Treasurer?

I will ask you one, Treasurer, with regard to the position of the province and our deficit and our overall debt as to the significance you would place and what priority you would put on debt reduction, deficit elimination vis-à-vis all the wants and needs of society as a whole and the requirements, as Ms Hošek said, to address the health problem and the spiralling costs of that. Do you see it important, considering talk of a recession, to send a signal to either the communi-

ty at large or specifically the business community that we are going to eliminate a deficit and reduce our debt?

**Hon R. F. Nixon:** It is certainly a question that is very important and put to me by many people. Actually, it is put to me by people in the business community on the basis of why we have a deficit in these prosperous times, and put to me by people interested in other aspects of the community such as the universities, social program people involved and knowledgeable in social programs, in environmental programs and in transportation programs. They ask: "If you do not want to raise taxes more, why don't you borrow? We need these programs so badly and your credit at triple A will obviously stand the extra borrowing." So that is sort of the balance.

I should also say that our operating budget, that is, the budget that actually runs the government—we are in a substantial surplus, I believe the biggest surplus in the history of the province. This means that when we look at the costs of hiring the help and maintaining our facilities and paying the electric bill and the gas bill, and undertaking all of our operating programs, that our tax base pays for that with a surplus of about \$2.8 billion. Is that somewhere in the field?

**Mr Davies:** It is \$2.7 billion.

**Hon R. F. Nixon:** Well, \$2.7 billion. So there is a surplus on our operating budget which most jurisdictions in the world would be very proud of.

Besides operating, we have a capital budget in excess of \$3 billion. I believe this year it is about \$3.2 or \$3.3 billion. So we pay the first 82 per cent of that out of our cash flow from tax sources and borrow the rest, so that our borrowing deficit this year is about \$570 million, which is a huge amount of money, but about five days' revenue for my colleague the Minister of Revenue (Mr Mancini).

It has been put to me, "If it was just five days' revenue, why didn't you reduce it to zero just to have the luxury of doing that on an occasion while you are the Treasurer?" But the decision was made, for people who are familiar with this sort of budgeting, that that was to some degree irrelevant, other than, Mr Chairman, as you point out, a signal that would go to people that we had a fully balanced budget and maybe a surplus.

I want to make the point that we are in fact committing a lot of our resources to capital projects. These are tangible capital projects: schools and bridges and sewage systems and water systems on public buildings in the north and elsewhere that we know will be in use by the

community for 40 years, we hope and expect. We are paying for most of that out of regular day-to-day income, very little borrowing. So we feel fiscally that we are in a very responsible position indeed.

That leaves the other side of the argument, that maybe you should be reducing taxes and borrowing more; in other words, leaving more money in the community for stimulation of the economy, or perhaps you would just borrow more to expand our programs which, although I would say as a politician in many respects are among the best in the world, still we all know could be better. Ms Hošek has already referred to post-secondary education as an areawhere no member of the House that I know is satisfied that the level of the support is sufficient. That is a balance that I suppose the government as a whole must make. But I as Treasurer have got to advise them almost on a personal basis, and the balance is as I have described it.

**The Chair:** Just before I go to Mr Daigeler, could I ask you to expand on the surplus? My experience in primarily municipal finance has been that when a surplus occurs it occurs because of either an underestimation of expenditures or an underestimation of revenue, perhaps from building permits or something of that nature. At a provincial level, what is causing that surplus and what is the money doing? I would not want the taxpayer to think we are sitting here with cash in the bank while we pass on tax increases.

**Hon R. F. Nixon:** The overall budget is made up of our operating requirements plus capital. I want to make it clear that the surplus is not an overall surplus and I do not want to give the impression that it is. We have plenty of money to pay for the day-to-day operation of the government and make all of our grants on that basis, other than certain capital grants. When it comes to the capital budget, if you want to separate those in your mind, we are paying 82 per cent of that out of our regular cash flow from tax and other sources.

So there is not an unplanned surplus, except for one thing, and you will want to pursue this. That is our revenue, largely from personal income tax in the last few years, has been larger than budgeted because of the projections that come from the government of Canada. Anybody who is sensitive about this should not think for a moment that I am being critical of the government of Canada making inadequate projections. They are doing the best they can, just as we do the best we can.

We have been very fortunate in that the rate of growth of the economy of this province, very low unemployment, higher salaries, as people keep pointing out to us from time to time, than some other provincial jurisdictions, results in a rate of growth of our personal income tax revenues that has, for the last three or four years, been higher than anticipated by our collection superiors, the Department of National Revenue for Canada.

This does not always happen. I believe in the last budget, before my Liberal colleagues and I took over the responsibility of government, that the government of Canada had to report to Toronto that its revenues would be \$600 million less than expected. "These things happen," as the bumper stickers say. Fortunately, we have been on the positive side of that. Things happen in budgets, of course, from time to time. Revenues vary from the projections the economists give us based on the economic outlook. We do not expect them to be any more precise than they are. As a matter of fact, I would say our projections are very good indeed.

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**Mr Daigeler:** I have a rather different question for the Treasurer. We are setting out on public hearings with regard to the budget preparation. I am just wondering, from your own point of view, what would you consider the most helpful contribution of this committee to the budget preparation process? What do you expect of the committee?

**Hon R. F. Nixon:** That is the important question. I know that in the past this committee has dealt with free trade, and I believe you did some investigation into the goods and services tax at one stage. While I say to you that I am quite confident the economy is going to continue to show real growth, there are others who are quite concerned. Certainly we all are and the matter is discussed in the Legislature.

There are closures that are announced by firms that for economic reasons or other reasons simply close their doors and then there is unemployment and a reduction in the economy. I am able to say, when asked, that for each of the last, I believe, 10 months there has been a net increase in employment in the province, including the month of November, the most recent one for our statistics, when there was a net increase of 5,000 jobs.

I do not know how good those jobs are. That was pointed out in the House today. Are we talking about hamburger flippers or some other higher quality jobs? But the numbers of jobs that are reported continue to grow. I believe the estimate for this year is that there would be



something like 80,000 net new jobs created in Ontario, and the projections for next year would indicate that it would be less but still definitely positive.

There are a number of theories that all of us would have as economists—that is not me—or as politicians or as people with some experience in observing the economy as to what could be done to improve situations. Should taxes be cut and the budget allow for a larger deficit, for example? Should expenditures be increased in certain areas?

My policy in the four years, which has been quite severely criticized, has been for expanding expenditures. There has been a corresponding increase in taxation, a pay-as-you-go policy. We have done that and reduced our deficit at the same time that there has been quite a dramatic increase in expenditure. I always like to defend myself in this instance. People who want to put it in a light that is realistic, but sometimes not complimentary, indicate that our expenditure increase has been each year of our tenure close to 10 per cent, which far outstrips any other jurisdiction.

There have been anomalies. For example, the rate of increase in British Columbia. I believe, this year is 13 per cent. There have been anomalies but generally the rate of increase has been higher here than in other provincial jurisdictions and the federal jurisdiction.

At the same time, I am able to say our expenditure per capita is in the midrange of the provinces and we are not outspending the other provinces on a per capita basis. Our economy is in some ways, quite significant ways, more productive per capita than most other jurisdictions. We are very proud of that, but also we are fortunate that this is the case.

But you people might have other economists give you views. The chairman mentioned just while we were chatting before the committee started that you would like to have views not only from the people working at the Treasury, but elsewhere as to what should be done to maintain balanced growth in the province. That is the sort of advice that would be helpful.

I also have to tell you something that is helpful. There are a number of very important organizations that like to come to a public committee such as this, where the work is usually televised and available to a broad range of people in the province. They like to come in and express their views to the government through this committee—actually to the members of the Legislature—and say, “This is what you should do.”

I think it is quite valuable that they do that, whether it is a manufacturers’ group, a labour union, one of the professional groups such as the teachers, which happen to be in the Legislature today on another matter, or the farmers, my constituents, for example, who have very good and often quite well-financed organizations that work very hard on their presentations. Usually they come to the Treasurer’s boardroom and naturally, I am glad to hear their views and we get a chance, in an informal way to bat things around about what might be happening. But at an occasion like this, which is more formal, they have a chance to express their views and be questioned by members of the committee representing all parties. I think it is useful. It is very useful. It forms part of your report where you indicate to the Treasurer and the government in general what the committee’s shared view is. We have to make our judgements based that.

**Mr Faubert:** I am new to the committee. Just for my own information, I want to know whether economic forecasting is really a science or is it just an art? This morning on CBC, as an example, I heard a group of economists debating, trying to set an economic forecast for 1990. One said quite clearly that he felt spending would be up because of people trying to beat the 1991 GST. Another said no, the opposite will happen and people will not spend because they feel they will put it in reserve for 1991. It seems there are two obviously conflicting views with two very opposite results. I would like to hear a comment on how much faith we put on our forecasts.

**Hon R. F. Nixon:** I have a great deal of faith in the forecast. At one stage, I actually was travelling on public business to Hong Kong and was meeting with the board of one of the largest banks there. They employed soothsayers who gave them advice on which way the front door of the bank should face and at which hour of day the bank should open and close, and also what the interest rates would be in the coming year. My experience actually is that their results were reasonably good, but they—

**The Chair:** Are any of them here?

**Hon R. F. Nixon:** I have been advertising but there is no male competitor.

Having said that, I will tell you that the economists, and we have among the best available to us in the Treasury, are academically competent and spend their academic years examining cases and considering and discussing theories, and use their experience and academic background and good judgement to make the

projections that form the basis of our economic outlook.

Having made a somewhat destructive answer, I would like to ask our chief economist for his considered view on this important matter.

**Dr Christie:** On the question of art or science, I think the most honest answer would be that it is either a scientific art or an artistic science. The two-handed economist, I suppose, strikes again.

I do not think anyone who forecasts economic events would pretend to take as his mandate the accuracy of someone who prepares accounting statements. There are a lot of assumptions underlying it. As the Treasurer noted, what one hopes to do is to be close and to be reliable, close enough for good decision-making in our case, and reliable enough that the people who make those decisions will trust the kind of information you are providing.

1630

**Hon R. F. Nixon:** I think the other thing that should be said is that the politicians have to listen to the advice and make the decisions. If something goes wrong next August I can always say, "Well, Bob Christie told me that this would or would not happen," but that is not going to satisfy some of the more unkind observers in the House in this regard. Under other system the politicians can reject that advice and take another course entirely. It is sort of like politics being an artistic science.

**Mr Mackenzie:** It is like looking at entrails.

**Ms Hošek:** I wonder if you have ever thought in Treasury of segmenting the budget in a slightly different way—not the budget, doing another budget—that looked not just at capital that is directly attributable to buildings that you know are going to last longer than the one year in which you built them but at other forms of expenditure that are essentially a kind of investment?

Has anyone ever thought of measuring the depreciation of some of those and just notionally, conceptually looking at our budget in terms of the money that is spent and disappears in the year in which it is spent, and the money that is spent in such a way that it constitutes also in some way an investment? Has that kind of analysis ever been done for anything other than buildings or roads?

**Hon R. F. Nixon:** I might ask the deputy minister to make a comment on that. I could dredge up some of my finer, earlier speeches when I spoke about education being the most important responsibility given to the provincial jurisdiction by our Constitution and that money being spent for education, whether it is in

teachers' salaries or anything else, is the best investment we can make.

I tend as Treasurer to think of the capital investment as being in school buildings and universities, but there is certainly an area there where the return to the community, while I think in a sense it could be measured, is still intangible, other than the fact that the people who have access to quality education and particularly an improved quality education are, if we believe in this, going to be more productive in every way, and even from my narrow point of view, more productive in paying taxes.

**Mr Davies:** The only other thing I can add would be that as Bob Christie indicated in his answer of comparing the art of economic forecasting to the more precise science, if you will, of reporting on numbers spent, the tradition has been in all jurisdictions, in fact all areas of accountancy, to focus on those items that are truly physically measurable, which are the physical capital items. On the sort of social capital items to which you allude, while having longer-term benefits, obviously—or I would suggest obviously—it is very difficult to quantify. That is why the reporting systems generally do not even attempt to quantify it in that fashion.

**Ms Hošek:** I assume there are some theoretical folks out there who do try to do that just for the purposes of conceptual opportunity. I do not expect the budget of Ontario to come in this form, but I wonder if anybody has ever jotted it up in that way just to show it to us for the purposes of thinking about how we are actually spending our money rather than how we are accounting for it.

**Mr Davies:** I will throw the question out, if I might, to some of my colleagues who have suffered through many budgets and might be familiar with that being done. I am not familiar with those attempts here.

**Hon R. F. Nixon:** Just while there is a pause for a moment, the deputy has been joined by Robert Watson, who is acting assistant deputy minister at Treasury. It is his responsibility to advise and report on our borrowing process and I just thought I should identify him. He is sitting to the deputy's right. He is also responsible to recommend the Hydro guarantee when it borrows, as well.

**The Chair:** We have some newspaper clippings, I guess from today, regarding the GST. I wonder if the Treasurer would have anything to add that this committee might find of interest. You have said it is estimated at a \$750-million-a-

year impact. I guess the question is, how is the budget going to handle that kind of an impact? The question I would have, which maybe you do not have an answer for at this stage, is if in fact the GST becomes a reality, which it appears it is going to, are we really going to saddle our taxpayers, our tax collectors more importantly, with two sets of sales tax collection mechanisms or is there some thought of provincial-federal co-operation on that?

**Hon R. F. Nixon:** Frankly, I would hope there would be provincial-federal co-operation. Whenever this question is asked and I respond in any way positively, the assumption is that somehow Ontario is going to meld itself in with that tax and that we accept the same base and so on. That might happen some time in the future. I do not predict that. I simply say, as I usually do, that we have a mature, well-understood provincial sales tax now, levied and collected at the retail level. It is quite an unpopular tax as I found when we raised it from seven to eight per cent last year, but it is very productive. We have bills of over \$40 billion and this tax raises just under \$9 billion.

When people pay it on all their purchases they know exactly where it goes, that it comes to the provincial government, not the federal government or the municipal government. They also realize it goes to build highways and sewage disposal systems, and to pay part of medicare and a wide variety of provincial programs. So ours is there and really we are satisfied with it as it is with all of its warts and flaws.

I agree with you, Mr Chairman, that with the statement made by Mr Wilson yesterday announcing the reduction of the rate from nine to seven per cent, it looks as if it is all systems go and that a year from now we will be just a week away from the beginning of the collection of this new tax.

Certainly the taxpayers are going to find it confusing and irritating and expensive to pay two kinds of taxes, and naturally there is going to be a lot of inefficiency and additional cost if the federal government proceeds with its plan to have a totally separate collection system. It may be that we can co-operate. It may be we can even sell them a collection service without the two systems becoming even more closely entwined.

Naturally, once that sort of discussion occurs, there are a number of efficiencies that certainly could be achieved and I agree with you—I am not sure whether you expressed a view or not, but in simply raising the matter I would agree with you that it is our responsibility as politicians and Canadians to see that once Parliament has

decided to do this thing, it be done in the best possible way for our people, at least the least destructive way for our people.

Your question also referred to what we consider to be the fiscal bottom line of the impact of the new tax in Ontario. I will just say a word or two about it, but I would like Bryan Davies or perhaps Tom Sweeting to refer to it in some more detail.

The thing that concerned us most about the nine per cent rate was the inflationary impact. Mr Wilson made a valiant attempt to convince people, including the treasurers, that it would be a onetime impact of something like 2.25 per cent, but economists right across Canada and certainly our own economists here, whom I do not have to say are independent in their professional findings, indicated to me that the impact would be substantially in excess of that and that if inflation is going at the rate of five to six per cent anyway, we would be looking at 1991 with an inflationary rate of something as much as 8.5 per cent or nine per cent or even more.

Mr Wilson would indicate that this would be a onetime sort of blip impact and that he would convince Mr Crow, the governor of the Bank of Canada, that interest rates need not be adjusted to accommodate for that, although he repeatedly says Mr Crow makes his decisions independently of the federal Department of Finance. But from our point of view, there are a number of payments from public sources that are triggered by changes in inflation and changes in the inflation rate.

We were projecting the actual cost to the government in the third year at about \$1.5 billion. The \$750 million sounds pretty precise, but the advice I got following Mr Wilson's announcement that it would not be nine per cent but seven per cent was that the inflationary impact and the other ancillary fiscal impacts would be about half at seven per cent what they were at nine, so that is the careful way we arrived at \$750 million.

**Mr Sweeting:** Essentially, what I would add to what the Treasurer said is the introduction of the goods and services tax affects Ontario both through the revenues we raise and through the spending programs of the government.

**1640**

We have gone through an exercise, which again may not be as scientific as one would like it to be, looking at what the estimates of the economic impacts of a goods and services tax in Ontario would do to our revenues raised from personal income taxes, corporate income taxes



and that sort of thing, making assumptions about how it gets treated in various different ways for purposes of retail sales tax and looking at how higher levels of inflation translate into higher spending demands on the government, looking at the ways certain aspects of the goods and services tax, such as the treatment of lotteries, impact on the revenues available to the government.

We have put those together in various scenarios and they suggest that the kinds of numbers the Treasurer is talking about is the potential impact we would be looking at within a couple of years of the introduction of the goods and services tax.

**Mr Mackenzie:** I am wondering what the Treasurer's feeling is as to how likely the tax rate is to stay at the 7 per cent.

**Hon R. F. Nixon:** Certainly there is a lot of consideration of that when you see what has happened to the value added taxes that have been established in Europe. Maybe their political process is somewhat different over there, but they tended to be established at a lower rate and quite readily went to much higher rates. I think the value added tax in some European jurisdictions is as high as 20 per cent. What would the highest be, 24 per cent?

**Mr Sweeting:** The rates are all over the map. They tend to be all in the teens or higher. I noticed the other day that one jurisdiction had just reduced its luxury back from 28 per cent to 25 per cent, but taxes in the twenties are not uncommon.

**Hon R. F. Nixon:** I cannot make any projection. You are a pretty realistic politician, so you would know as well or better than I.

**Mr Mackenzie:** Mr. Wilson himself would not give any commitment that it would not rise subsequently.

**Hon R. F. Nixon:** He was very wise in that regard.

**Mr. Daigeler:** With regard to the GST, quite frankly, I feel there must be some substantial benefits. Well, Mr. Wilson is saying that there are. As you indicated, there are certainly very well educated people working for the different departments. I am sure there are substantive reasons why we should introduce that, and I am familiar with some of them.

I am still not too clear why it is so important to do that, and my question to you would be, what do you see as positive effects of the GST on the Ontario businesses? It cannot be all bad. At least, I hope not. I mean, the argument is that it will improve, substantially, the international competitiveness. I guess that is the main argument;

perhaps there are many others. What do you see as any positive aspects of that, if any?

**Hon R. F. Nixon:** I do not like to be put in the position of trying to explain the positive aspects of the tax, because it is too misunderstood. I do not like the tax, and as a politician I wish it would all go away, just as taxpayers here who might be listening to me speak do not like the taxes that I levy.

I suppose the positive value from this new tax, from Mr. Wilson's point of view, is it will raise revenue, and he has to pay his bills. He has indicated that this is basically revenue-neutral, based on the present manufacturers' sales tax, although from time to time his comments vary and there are some references that some of it would be used to reduce the deficit, and although in the original plan, in the plan as I understand it, it is going to begin, going back to Mr. Mackenzie's point, as a revenue-neutral tax.

To tell you the truth, the tax obviously will raise more than the manufacturers' sales tax, but to be fair, in the structure of the tax as we understand it, the Department of Finance would have programs that would make payments back into the community that would in fact reduce the net amount to what would be raised by the present manufacturers' sales tax, now at 13.5 per cent.

I suppose the argument is one that you have already mentioned, Hans, and that is that because it is a value added tax, the manufacturers are not going to have this tax levied on their manufactures, which then would artificially raise their price in international markets and therefore reduce their competitive position; that with the value added tax replacing the manufacturers' sales tax, the goods to be exported would go to the border into the international market without any sales tax component at all, as is the case with many of the countries with which we compete, like Sweden, which has a value added tax. They manufacture all sorts of stuff very successfully in the world market and it comes into the market without any sales tax on it at all.

The downside of that, of course, is if the manufacturers do not pay it, somebody else must, and it is the people who actually consume in our own country. When it finally gets to the consumer, yourself and myself and 25 million other people, then that tax is payable to make up the revenues that are necessary. It is supposed to, and I believe that it does, stimulate the economy in a measurable way. Our economists have, on a number of occasions, taken me through the thought processes that lead that and have allowed

me to conclude that it definitely would be positive to the growth of the economy of Canada. Since Ontario, I believe, is responsible for something in excess of 40 per cent of the economy of Canada, whatever advantage there is would tend, in some degree, to be felt here.

**Mr Faubert:** Supplementary to that, perhaps I am a little confused in one thing, but you said that the export product goes ex border and is exempt from tax. It is my understanding that all product does anyway. The manufacturers' tax does not apply on export products.

**Hon R. F. Nixon:** Tom is an expert on this. Save me on this one.

**Mr Sweeting:** The manufacturers' sales tax is built into product prices in a lot of ways. I mean, the manufacturers' sales tax applies well down in the chain. For example, car makers would have an exemption for a lot of the equipment that they purchase, so there would not be a tax. But the desks they buy, the chairs they buy, anything they buy that could have a manufacturers' sales component in it, that they consume in the act of their producing a product, all gets factored in to the price.

That federal sales tax is paid and then it is passed on to someone else, who then moves it out of the country. There are lots of ways for the federal sales tax to show up in the price of goods farther up the chain, which then means that if it leaves the country on that basis, then there is obviously a tax component in the price that other countries that have a value added tax which automatically rebate back to businesses through the value added process the tax they pay—that is the only way to be sure there is no tax component in it, to have a value added type tax. The current tax does not ensure that at all.

**Hon R. F. Nixon:** If I might just add another point, which impressed me when the information was given to me, our retail sales tax is not a value added tax and if a business, in constructing or manufacturing something to be exported or sold, is going to buy furniture, as Tom has said, or computers or typewriters or other service that is taxable, our eight per cent tax goes in there and it is referred to as a business input. That is what we call it. Of our under \$9 billion that we get from the whole sales tax, \$3 billion comes from business inputs. If this were converted overnight to a value added tax, that \$3 billion would no longer be paid by industry and therefore be that sort of a subsidy to make its competition stronger anywhere. It would be paid by somebody further down the value added chain, largely the consum-

ers. That is an aspect that stimulates a certain amount of comment when it is understood.

**Mr Faubert:** Obviously, you have shifted a cost that was normally borne by business and that came in at a lesser rate to the consumer, now fully to the consumer.

1650

**Hon R. F. Nixon:** Right, right. Indeed the argument, frankly, is—now, I do not buy this particularly—that the consumer pays anyway, because if the business is not in a profitable situation, it appears in headlines as closing its doors and laying off its people. The other side of that is maybe, you know, it would dig into their profit. There is sort of a philosophical area here, I suppose, when you try to decide how business people make their decisions and there are views all over the place on that.

**The Chair:** I note that about 32 per cent of our gross domestic product is a result of exports, and 86 per cent of that goes to the United States. Do you have any concerns about the economy being that tightly linked to one market and do you have any thoughts about expanding our exportability of our companies and our products into the United Kingdom and Europe and the European common market and the Asian rim and all of those other areas and perhaps becoming less involved with the US market?

**Hon R. F. Nixon:** I think this should be the aim of this government and any other government, to have the broadest possible market. We are very dependent on the American market. We are their biggest trading partner by far, bigger even than Japan. The Minister of Industry, Trade and Technology (Mr Kwinter) of course has a very high degree of responsibility in this connection. He has offices in a number of foreign capitals that are designed to assist us in improving our trade. The Premier (Mr Peterson) himself has taken a personal interest in this and has been to Korea two or three times and Japan and China and Hong Kong and a number of Pacific Rim countries in order to improve the perception of Ontario as a trading partner and to support the sale of our goods and services, and I think he has been very successful. Mind you, I would tend to think that, but I would think the bottom-line numbers would confirm that, without doubt.

Just in passing, I mentioned the Pacific Rim. He has recently returned from a trading expedition to Italy. I believe about 100 business people from Ontario, many of them of Italian extraction themselves, have carved out a place in business

here, in manufacturing or trade or the professions. They went with him, along with members of the Legislature and the government, in order to improve the perception in Italy of Ontario as a place to do business. Mind you, there are so many Italians here with relatives in Italy that I think we are well perceived, and he certainly had a good reception.

He has been to the United Kingdom many times. We have a trade office in France that deals with a number of European countries. I believe we have opened one or closed one and reopened one in Brussels and in Frankfurt and in these areas where world business is becoming focused and expanding at a great rate.

We have been looking at the projections for the European community in 1991, where by treaty, and if the politicians can finally all be persuaded to pull in harness, there will be a very, very large trading unit, the European economic community, which will be a larger and a richer market than the United States of America.

It will be very important that we do everything we can to be considered as an active trading partner with that huge economic conglomeration. They are big enough, almost, to be self-sufficient and they do not have to buy very much outside the confines of their own geography. That is something that would be very, very bad for us, and we want to sell them the goods and services that we can in which we can compete by way of value and price.

**The Chair:** I know that many members of the committee wish to be in the Legislature for the wrapup debates, but we have a couple of items to deal with. Perhaps before we go to the motion dealing with our subcommittee, I would like to ask a final question for myself. It has to do with the point that I guess I began with in my first question and that is our debt that has increased some \$2 billion over the last fiscal year. I have not delved into the forecast for it, but I think the public in general would be concerned about substantial increases in the size of the provincial debt, not to be confused with the deficit. Do you have any enlightening comments on debt management and where we are heading as a province and how we can best manage that debt?

**Hon R. F. Nixon:** The gross provincial debt is \$42 billion.

**Mr Watson:** Forty.

**Hon R. F. Nixon:** Forty billion.

**The Chair:** Then it has gone up since this was printed yesterday, 20 December. I have it as \$39 billion. Is it \$42 billion?

**Hon R. F. Nixon:** knowing your penchant for precision, I would think it is probably \$39.2 billion rather than \$40 billion, but a huge number. It would be nice if that could be reduced, except I think that the ability of the province, through its growing economy, to support debt is growing faster than the debt. This year the debt is growing, as I pointed out earlier, by about \$577 million. That is for our provincial purposes.

We have to understand and know about this, and frankly, it is a good business arrangement. We also guarantee the debt of Ontario Hydro. We just had a report yesterday that they expect to borrow, for capital purposes, \$50 billion in the next 25 years.

So you are very wise in bringing to the public attention and my attention and the attention of the committee that this has to be considered carefully and planned carefully. But the ratio that I think is most heartening is the amount of gross debt we have compared with our ability to pay it off. The ratio is quite interesting, and it may be that rather than my trying to grope for the figures, it is possible that some of the officials might tell the members of the committee what I can tell them, and that is, the ratio is improving, from our point of view, as the rate of debt growth is substantially lower than the growth of our economy and our ability to repay. Robert, is there anything you might add to that?

**Mr Watson:** That is quite correct. The \$40-billion figure I was referring to is actually what we expect it will be at the end of this fiscal year. If we look at that as a ratio to the strength of the economy, a measure of the economy, it actually now, at the end of this year, will be about 14.7 per cent, which is the same ratio as it was about 10 years ago, and it is down from a high ratio of 18 per cent in 1983-84. So in relative terms, the debt is, as a per cent of the economy, is reduced, as the Treasurer mentioned.

**The Chair:** Are there any other questions of the Treasurer at this time? No? You hope. If not, thank you very much, Treasurer, and to your staff, for sharing this time with us.

I think we will deal with some housekeeping matters on the committee. The plan, according to our steering committee meeting, was to deal with hearings from interested groups from the public, but also there was a desire expressed, Mr Mackenzie, by your colleague, to bring in some outside economists to talk about where the province is heading in a general view. I think that was generally agreed to be a good idea.



Staff are going to research who we might get, whether from the C. D. Howe Institute or some of the banks or whatever, and we will come back with some recommendations on that.

I believe we have a motion to appoint our new vice-chair to the steering committee.

Mr Daigeler moves that Mr Faubert replace Mr Ferraro on the steering subcommittee.

Are there any comments on that? Shall it carry?

Motion agreed to.

**The Chair:** Any other comments to come before the chair at this time? If not, the committee stands adjourned.

The committee adjourned at 1659.

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## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

**Chair:** Mahoney, Steven W. (Mississauga West L)

**Vice-Chair:** Faubert, Frank (Scarborough-Ellesmere L)

Cunningham, Dianne E. (London North PC)

Daigeler, Hans (Nepean L)

Ferraro, Rick E. (Guelph L)

Haggerty, Ray (Niagara South L)

Hošek, Chaviva (Oakwood L)

Mackenzie, Bob (Hamilton East NDP)

McLean, Allan K. (Simcoe East PC)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Reycraft, Douglas R. (Middlesex L)

**Substitution:**

Cleary, John C. (Cornwall L) for Mr Ferraro

**Clerk:** Freedman, Lisa

**Clerk pro tem:** Brown, Harold

**Witnesses:**

**From the Ministry of Treasury and Economics:**

Nixon, Hon Robert F., Deputy Premier and Treasurer of Ontario and Minister of  
Economics (Brant-Haldimand L)

Davies, Bryan, Deputy Minister

Christie, Dr Robert D., Assistant Deputy Minister and Chief Economist

Sweeting, Tom, Director, Taxation Policy Branch

Watson, Robert J., Director, Finance Operations Branch











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## Official Report of Debates

### Legislative Assembly of Ontario



**Standing Committee on Finance and Economic Affairs**  
Prebudget Consultation

**Second Session, 34th Parliament**  
Monday 15 January 1990

Speaker: Honourable Hugh A. Edighoffer  
Clerk of the House: Claude L. DesRosiers

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Monday 15 January 1990

The committee met at 1403 in room 228.

### PREBUDGET CONSULTATION (continued)

**The Chair:** Good afternoon. I will call to order the meeting of the standing committee on finance and economic affairs. The purpose of the meeting this afternoon is for additional briefing on our grey book. I would like to welcome everyone back after the break and wish all a happy new year. I look forward to these prebudget hearings and discussions.

Joining us today from the ministry we have Dr Robert Christie, assistant deputy minister, office of economic policy. Perhaps you would like to introduce the colleagues you have with you, Dr Christie, since I believe there is one additional to my list.

**Dr Christie:** On my far right is Robert Watson, who is the director of the finance operations branch at our office of the Treasury. To my immediate right is Tony Salerno, who is the acting assistant deputy minister of the office of the budget. To my left is Tom Sweeting, director of our taxation policy branch.

**The Chair:** Thank you very much. You may just begin when you are ready. I think all members have a copy of your Highlights document, which is a hard copy that I presume you are going to walk us through.

**Dr Christie:** Right. What we have done in the hard copy that we have provided is to attempt to extract what we think are the highlights of the grey book. As the chairman noted, we will walk our way through. I presume that you would like to have questions as we go.

**The Chair:** I will keep a list, and if the list gets too long, I will interject at certain points. I will be my normal, fair self.

**Dr Christie:** The first slide shows a summary of the economic outlook that the grey book presents for the province. For 1989, the year that is just completed, the outlook shows that we expect there to have been 2.8 per cent real growth. The numbers will come in in the spring. This compares to a forecast for 1989 last year at this time of 2.9 per cent, and we think that the 2.8 per cent which was presented in the budget is pretty much on track. The fourth quarter will not

be in for a while, but for the first three quarters, the economy grew 4.2 per cent in the first quarter, 1.1 per cent in the second quarter, and while we do not have the Ontario data yet for the third quarter, for Canada, growth was at the rate of 2.3 per cent.

Job creation is shown here as 90,000. We received the December employment numbers last week, and the actual number for 1989 is 87,000 jobs versus the 90,000 shown here, an unemployment rate of 5.1 per cent, which was the actual as well. We are expecting inflation this year to be 5.9 per cent, and we should get the final numbers on that very soon.

For 1990, the outlook is for two per cent real growth, which represents another year of slowing from the five per cent-plus growth experienced from 1985 through 1988. That is also reflected in job creation, with 71,000 jobs being created in 1990, versus the 87,000 in 1989. The unemployment rate is expected to average 5.5 per cent next year—now this year—and inflation is expected to moderate to 5.3 per cent.

Slide 2 gives some perspective on Ontario's performance versus the rest of the country. From 1985 through 1988 you will note that Ontario grew substantially faster than the rest of the country, growth averaging 5.5 per cent in Ontario versus approximately 3.5 per cent in the rest of the country. In 1989 we expected this gap to close quite markedly, and for 1990 we expect Ontario and Canada to grow at about the same rate of two per cent in real terms.

Slide 3 gives you some perspective on Ontario's performance compared to our major international trading partners and the outlook for major industrial countries as it affects Ontario. You will note that growth is slowing everywhere. In the United States you will see that growth is projected to slow to about the two per cent level, which is essentially the rate we also expect for Canada and Ontario. So we are projecting quite balanced growth throughout all of North America.

In Japan, on the other hand, while growth will slow, it will remain about four per cent, and growth will also remain strong in Europe.

Slide 4 shows the Canada-US exchange rate and the difference in interest rates between Canada and the United States. We expect that

interest rates will begin to come down in the first half of 1990, both in absolute terms and in comparison to US interest rates. The gap between US and Canadian rates has been more than 400 basis points. We expect that to narrow significantly in the next year, and that will allow the dollar to ease—we think—to between 81 cents and 84 cents. The assumption or the projection of more moderate interest rates and a lower dollar is part of the forecast that we are presenting and the forces underlying continued growth.

Slide 5 shows the sources of real growth in Ontario in 1989 and in 1990. You will note that generally the sources of growth are moderating, with the exception of a small increase in the rate of growth of exports. The more moderate growth in consumption represents the slowing, in part, of the rate of job creation. The decrease in the real growth of residential construction represents the moderation, in part, in housing starts, which we project to have fallen to 91,000 in 1989 from 100,000 in 1988 and which we project will slow to 84,000 in 1990.

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Business investment, while the strongest-growing element of demand in the province, is still growing significantly less rapidly than it did in 1989.

Slide 6 shows the inflation performance and the moderation in inflation I referred to earlier.

**Ms Hošek:** May I stop you for a moment?

**The Chair:** I was going to stop actually at slide 6 because I am getting a rather substantial list, so that may be a natural point at which to break and ask some questions.

**Mr Haggerty:** My question is really to page 1, I guess, and right up to page 6 or 7, dealing with the forecasting of inflation, which in 1978 was 4.7. You are looking in 1989 at 5.9, and then you go down in 1990 to 5.3. You also made some interesting comments there based upon the proposed federal goods and services tax and the impact it may have on the economy of Ontario. If you are taking a look too at the provincial tax increases in the past year and the impact they will have in this coming year—the funding will be starting, what, some time in January of this year? Has that been taken into consideration too?

**Dr Christie:** The federal goods and services tax does not play a role in any of the numbers you see on slide 1. Because it comes into effect 1 January 1991, it does not affect any of the years that we are showing here.

With respect to other tax increases and their impact on the rate of inflation, they are all

factored into the numbers you see. The major impact that we were able to identify for the 1989 rate of inflation, which increased by more than one per cent from 1988, was that there was a fairly significant round of excise tax and indirect tax increases in the federal budget, particularly in terms of the manufacturers' sales tax, and we believe that that added—experts here will correct me—0.5 to 0.7 per cent.

**Mr Haggerty:** Does that include the high interest rates too and the policy of the Bank of Canada?

**Dr Christie:** Yes. That is all in.

**Mr Haggerty:** That is all included?

**Dr Christie:** That is all included in both; 1989 now is pretty much an actual, 1990 is a forecast, which includes what we know of all tax increases and policy measures announced to date.

**Mr Haggerty:** Is the figure for 1990 not rather low, though, if you are looking at perhaps other pressures in the world? For example, I will use the eastern countries in Europe and the change in the style of government and the transition period there that you see. Already, Japan is moving into the area for investment into Hungary. I think you will see the United States investing in it. What does that leave for Ontario and Canada? If this investment is going offshore, then very little, we may say, is going to be invested here in Canada to keep our engine going.

**Dr Christie:** We really have not included in the forecast for investment significant impact of the moves in eastern Europe. I think it is somewhat early to impute any large change in international capital flows to what is happening there. We have not seen any evidence of movements of capital of that kind, and Ontario, certainly relative to those countries, remains a very attractive place to invest. We feel that the investment numbers we have shown later on, while the growth is slower than last year, reflect that inherent attractiveness of Ontario. But in terms of whether there has been an explicit allowance made for the events in eastern Europe, no, there has not.

**Mr Haggerty:** But is there not also now in Ontario, investment moving southward? Have you looked at the financial trend that there is development and investment taking place in the United States? I say this particularly because I am close to the American border, around the city of Buffalo and Erie county. We can see the articles in the paper there saying there is Canadian investment being created on that side. In fact, you have got the Royal Bank drumming up



business over there. "Come on over, we'll help finance it." I do not know if you have taken a look at this or not.

**Dr Christie:** A number of the announcements and the newspaper stories on, for example, the development in Buffalo and the Buffalo area seem to be relatively recent. We have not seen much indication of how substantive that is in terms of the actual investment figures and capital outflows. There is not a lot of evidence yet that this movement is substantial for the Ontario economy as a whole. It is obviously very important for the firms that are looking at the location decisions and for the firms doing business in the Niagara region, for example. Certainly the retailers, I think, in places like Fort Erie would see a more significant effect than would be felt for the economy as a whole. But in terms of whether that has affected the investment outlook, we do not think it has affected it to date, largely because we have not seen enough evidence of the volume to be able to say that this would be a material effect on the growth rate next year.

**Mr Faubert:** I am looking at slides 1 and 3. I guess it leads me to the natural question of, when do we see all these great positive effects of free trade that were projected? Indeed, it is going the other way. Job creation is, as a matter of fact, going down very rapidly according to these projections. I understood that somewhere along the line we were supposed to get an increase of some 250,000 jobs nationwide, of which Ontario was to be one of the major beneficiaries. Also, when we look at slide 3, the effects of free trade look to be a decline in trade with and exports to the United States. Could you comment on that?

**Dr Christie:** I think the first observation I might make is that now that the free trade agreement has been in effect for about a year—it is being phased in over 10 years—the way in which we have looked at these numbers, both in terms of what happened in 1989 and what we expect to happen in 1990, is conditioned primarily on what I would call the more conventional macroeconomic developments: high interest rates, the high dollar, the fact that we have had seven or eight years of continuous economic expansion. It is very difficult to separate out the free trade agreement, which is something that will have its affects over—

**Mr Faubert:** The net effect should be a positive one; instead, this is a negative one.

**Dr Christie:** Yes. The difficulty, I guess, in addressing that is that, for example, we are

looking at 71,000 jobs next year. The people who were very positive on the free trade agreement might say that without it, there only would have been 65,000. Conversely, the people who expressed real concern about it would feel that there might have been even more had there not been some of the movement we have seen to Buffalo and some of the other layoffs and dislocations that have been reported in the last few months.

What I am trying to say is, it is very difficult to separate out the cyclical events associated with high interest rates and a high dollar and growth slowing in the US and in Japan. It is very difficult to separate that from those things that are solely due to the free trade agreement.

**Mr Faubert:** I guess one thing we can be thankful for is we are now down to a level with all the rest of Canada, so the Maritimes and the west can now like us. We can thank free trade for that, I guess.

You said it is too early to forecast the economic benefits of trade with eastern Europe. I take it then all those could be supplementary to the outlook that is projected here. Is that right?

**Dr Christie:** Yes, sir. To the extent that there are substantive benefits arising from a greater internationalization, the opening up of new markets, that would be in addition to what we see here.

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**Mr Faubert:** Then I take it this is related to the EC, to the European Community country trade as opposed to any other trade in all of Europe.

**Dr Christie:** Yes, sir. This would be the Europe G-7 countries.

**Mr Faubert:** Okay, thank you.

**The Chair:** It would be safe to assume you are not counting on too much of an effect from eastern Europe business in 1990.

**Dr Christie:** I think that would be safe.

**The Chair:** Yes, I just got back from there. I can tell you it is real safe.

**Mr Daigeler:** My question, not being an economist at all—perhaps everybody else knows how you do that, but it is a bit of a mystery to me. For example, I guess it is page 5, on the white sheet, when you talk about the predictions in growth for the different areas, how do you arrive at those predictions? For example—I am looking at the grey book here—when you say that growth in real consumption will be moderate, from 3.5 per cent in 1989 to 1.8 per cent in 1990, or when you say that the personal savings rate is down to

12.4 per cent in 1990, how do you arrive at these predictions? Do you make surveys, or how is it that with reasonable assurance you can make these kind of rather specific statements?

**Dr Christie:** My immediate answer is that the forecasts are developed using fairly large-scale macroeconomic models that are run on computer, stuffed full of data and refined and used to produce the forecasts. But that, I am sure, does not clarify things any more than—

**Mr Daigeler:** It is basically a computer model then?

**Dr Christie:** Yes, but the computer model is structured, based on what we know has happened in the past, the way in which the economy has worked in the past. It is given the most up-to-date information we can get our hands on and it is then allowed to predict the future. But I think it is also required for me to say that judgement is applied to that, that there is only one outfit that I know of which produces a computer-based forecast that guarantees it to be free from judgement, so you can be assured that there is some judgement applied to this as well.

**Ms Hošek:** My question is also about page 5. There is a contrast between the imports going down and the exports going up a little bit. Are you predicting any kind of balance-of-trade numbers as a result of this?

**Dr Christie:** I think for Canada we have some balance-of-trade numbers. To describe the modelling process, the modelling process will take out balance-of-trade numbers, and we do see some improvement in that next year for Canada.

**Ms Hošek:** You do not see them for Ontario? They are not broken down for Ontario?

**Dr Christie:** Not, I think, on a balance-of-payments basis which tracks services and capital flows as well, but—

**Ms Hošek:** That is not as clear.

**Dr Christie:** That certainly is not as clear for Ontario, no.

**Ms Hošek:** The other part of the question really is what dollar figure you used. What value for the Canadian dollar did you use in thinking through the exports and imports number?

**Dr Christie:** The value of the dollar changes through the year. We are at about 86 cents now. We see the range through most of 1990 as being in the 81 cents to 84 cents range, so the average would be 82 cents to 83 cents.

**Mr McCague:** On the first page, the 1989 unemployment rate of 5.1 per cent and the inflation rate of 5.9 per cent, are those the

adjusted figures or are those what have been used all year?

**Dr Christie:** Have those been adjusted to the actuals, is that what you are asking?

**Mr McCague:** Yes.

**Dr Christie:** They are the figures that we published as part of the forecast for the grey book. They differ a little bit from the budget forecast, I think, but not in any substantive detail.

**Mr McCague:** With regard to the unemployment rate, the favourite free trade question keeps coming up. The Minister of Industry, Trade and Technology (Mr Kwinter) said in the House recently that for every plant that closed down or left the province there were two opened up. Can you comment on whether or not free trade has an effect on the employment rate?

**Dr Christie:** The employment rate or the unemployment rate that we are reporting on here is the net of a large number of forces. It is in fact the combination of the cyclical forces we talked about earlier and structural forces that would include not only the free trade agreement but any other structural changes, including naturally ongoing structural changes that are occurring in the economy.

The layoffs announced over the past few months have had some effect on the unemployment rate, but it is very difficult to isolate the effect of either one announcement or one set of layoffs on the unemployment rate when there are so many factors in play. The December employment numbers indicated that employment, seasonally adjusted, fell by 4,000 in Ontario. It is not a large number compared to the announced layoffs because of job creation going on in a number of other sectors.

I do not believe I have answered your question, but I suppose the short answer is that it is very difficult to isolate one factor in the movement of something like the unemployment rate.

**Mr McCague:** I just always felt there were two sides to that story and maybe it was valuable to get the other side out.

**Mr Faubert:** We have not seen it yet, George.

**The Chair:** George, are you finished?

**Mr McCague:** The 1981 84-cent dollar that you are talking about in 1990, do you forecast that would have significant impact?

**Dr Christie:** The impact that the 1981 84-cent dollar would have is part of what we are showing in terms of the two per cent growth, which is still

more moderate than we have had this year. I think perhaps the other way of looking at that is that if the dollar does not come down to that 1981 84-cent level, but from our perspective if interest rates do not moderate, as we and most other economists expect them to, the more moderate but still material growth that we are talking about probably will not be quite as strong.

**Mr McCague:** Then if you go to slide 5, your imports-exports graph there would change?

**Dr Christie:** That would certainly be one of areas that would be affected by a continuation of higher interest rates and a higher dollar.

**Mr McCague:** Just one more question, and it may be fairly academic: In residential construction you show a five per cent growth in 1989 and you show a two per cent reduction in 1990. When you produce this chart next year, will 1990 be three percentage points above the line?

**Dr Christie:** Excuse me?

**Mr McCague:** I am not sure how it goes, but you have the growth here at five per cent.

**Dr Christie:** Yes.

**Mr McCague:** You have it down here at reducing two per cent. Is that two per cent off that five per cent?

**Dr Christie:** No. This is year over the previous year. In 1989, in real terms, the amount spent on residential construction increased by five per cent. We are anticipating that in 1990, from that 1989 level it will drop by two per cent. If in fact in 1991 interest rates do come down and we see some recovery in that area, then off that 1990 base we would expect there to be some growth, which would bring it back towards or above the 1989 level.

**Mr McCague:** You are using a 1988 base?

**Dr Christie:** For the 1989 figure and an 1989 base for 1990 figure. It is just the annual growth for the previous year.

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**Mr McCague:** Okay. The goods and services tax, if that is going to be as negative as is forecast, I would have thought that—I guess the question is, did you figure that in when you forecast the two per cent decrease?

**Dr Christie:** That was part of the consideration, although because the GST comes into effect in 1991, the thinking for 1990 was primarily in the context of how much anticipatory reaction to the GST there might be. That as much as anything in our thinking really had to do more with starts as opposed to purchases. Although there is a minor effect in there, I am not

sure that one would actually see the difference, because as I indicated, it is only that anticipatory effect rather than the actual impact of the GST.

**Mr McCague:** I guess you could argue that for quite a while.

**Dr Christie:** It is very difficult in something like this to try to guess the extent to which people will try to accelerate the purchase of something in fear or anticipation of an event to transpire months or quarters ahead.

**Mr Morin-Strom:** One of the big concerns, I think, with the business community and with the general public as well is the possibility of a recession. I note that you are still forecasting positive real growth of two per cent, although less than in recent years. What kind of real probability is there of us entering into a recession, either here in Ontario or in Canada as a whole?

**Dr Christie:** I suppose 1990, according to the group of people who forecast these things, is a year of risk. There is quite a variety in the forecasts that are around, both for Canada and Ontario. We are looking at two per cent; other people are looking at closer to one per cent. I am not aware of any forecast that calls for, year over year, negative growth for 1990. That does not mean that some people's forecasts of one per cent or one and a half per cent do not allow for the technical two quarters of retraction that constitute a technical recession.

I think it is fair to say that there is very little thinking among forecasters of a repeat of the 1981-82 experience. Things are really quite a bit different now than they were in the early 1980s in terms of inflation. While it is high relative to the past couple of years, it is not the 11 per cent or 12 per cent that we had in the early 1980s. Inventories are in much better shape than they were in the early 1980s. Corporate debt levels are in much better shape. I do not think there is any anticipation of the sharp recessionary forces that were experienced then, but I do not think anyone has ruled out very slow growth that might satisfy the requirements of a technical recession.

**Mr Morin-Strom:** We have a comparison of forecasts that was done by our researcher, and two of the major banks in Canada have forecast a gross domestic product increase of less than one per cent for this year. Scotiabank forecast it at 0.8 per cent and the Bank of Montreal at 0.7 per cent, both of which, under a slowdown scenario, could well be including recessionary—in other words, negative—growth by, for example, perhaps the last two quarters.



It could well be that those kinds of forecasts include a recession, which is just two consecutive quarters of negative growth. Is there a consensus in the forecasts that you have seen or do you think there are a significant number of forecasters who think that a recession is a possibility by the later part of the year?

**Dr Christie:** I guess my characterization of it would be that there is, I would say, a significant minority. It is very difficult when people publish annual averages. You have to talk to them and find out what they have quarter by quarter and whether there is a technical recession in there. Sometimes they will be franker than at other times.

There is quite a variety of forecasts for Canada in terms of the survey that we have done, not only of the banks but of some of the commercial forecasting houses, growth rates for Canada, let's say, as low as half a per cent and pretty much as high as two per cent. People are pretty much spread between those two areas. So I find it difficult to characterize there being any real agreement, but I think it is safe to say that those who do not see a recession still see reasonably slow growth next year.

**Mr Morin-Strom:** Are you concerned that your forecast in fact is the highest of all the forecasts and is the only one that is as high as two per cent?

**Dr Christie:** Not concerned. Generally over the past few years people have tended to underestimate the performance of the Ontario economy. We are watching monetary policy very closely. In light of our comments about the dollar and interest rates, we are certainly watching that very closely, given our view on what we expect to be happening.

**Mr Morin-Strom:** Finally, what would the impact be on the provincial deficit of your two per cent forecast in comparison with, say, one of the lower forecasts, such as some of these bank forecasts, 0.7 per cent or 0.8 per cent?

**Dr Christie:** Tony, do you want to comment on the deficit?

**Mr Salerno:** Sure. As a general rough rule of thumb, for every point change, increase or decrease, in the economic performance the revenue forecast will vary by between, say, \$350 million and \$400 million. So an increase in the economic forecast of one per cent will yield between \$350 million and \$400 million in extra revenue, and the converse is true in a downturn.

**Mr Morin-Strom:** That is the revenue side. What about the expense side? Would expenses not be up as well?

**Mr Salerno:** There are certain automatic stabilizers that would come into play, but the relationship is not as certain and the response is not as quick as with the revenues. So there is somewhat of a delay. For instance, one would expect social assistance to pick up, but of course the first thing that is used up is unemployment insurance, which does not cost the province directly. So before people enrol for welfare assistance, they have to exhaust these other forms of assistance. The relationship is not as direct as it is with the revenues.

**Mr Cleary:** I am pleased to see that you predict 5.5 per cent unemployment in 1990 and you had said 5.1 per cent in 1989. Why I say that, and I feel it may be much higher than that, is because right in a small city which I am very familiar with, of 45,000 people, five plants have announced closing just in the last short time, and in the near proximity to that three more. You must be going to have an awful pile of job creation and new plants if you are going to make up for the fact that this is happening all over Ontario.

**Dr Christie:** The job creation that we have seen in the last year, for example, has been primarily in the various service industries, and there still seems to be job creation going on there. The primary areas have not shown a lot of job creation. Manufacturing has not shown a lot of job creation. As I think the forecast indicates, the rate of job creation that we do see for next year is below this year's and significantly below that of 1988. But certainly in the forecast we do see job creation continuing.

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**The Chair:** Maybe we can go back to your presentation. I think we were up to about page 7. Your document seems to break down up to the sectoral outlook, so maybe we could go through pages 7 up to the end of 10 and, if there are any questions at that point, we will stop again.

**Dr Christie:** Page 7 shows the medium-term outlook for the years 1991 through 1993. You will note that real growth is shown as recovering, to 3.1 per cent per year from the 2 per cent anticipated for 1989. Inflation is shown at about 5.5 per cent, again very much on the kind of level that we have experienced in the last couple of years, although I should note that includes the effect of the GST in 1991. So the averaging is a little bit misleading in the sense that you would expect 1991 to be somewhat higher and then, to get the 5.5 per cent average in 1992 and 1993, to be lower, so inflation would be on a downward

trend. Job creation is approximately 88,000 jobs per year and the unemployment rate averages 5.2 per cent.

Slide 8 shows some of the material we were discussing earlier in terms of where the employment growth has been happening over the last few years. There are primary areas, agriculture, mining, some parts of forestry, that have shown very little growth. Manufacturing employment has not shown a lot of growth, due in part to achievements on the productivity side in manufacturing, because output has grown. Construction has been a strong area of employment growth, and the various kinds of service industries, in terms of trade, finance, community services, etc., have all shown solid job growth over the last four years.

Slide 9 shows the regional performance of unemployment rates. As the slide indicates, all areas of the province have experienced a reduction in unemployment rates but some parts of the province have experienced and maintained lower unemployment rates than others. North-eastern Ontario, while unemployment rates have dropped, still has an unemployment rate of eight per cent or more, while central Ontario has an unemployment rate of around four per cent.

Slide 10 shows wage settlements in Ontario for large bargaining units. We have seen this year, in 1989, an increase in the rate of wage settlements from the five per cent area in 1988 to six per cent to seven per cent wage settlements in 1989. I should point out that these represent settlements in large bargaining units. If we look at a broader measure of wage increase, such as average weekly earnings, the picture is a little bit more moderate. Average weekly earnings for the first 10 months of 1989 increased by about 5.3 per cent, which was about the same as the rate last year.

**Mr Haggerty:** I was looking at page 8 where you talk about the construction. I notice that on page 11, where you have got sectoral outlook and real growth, you do have construction mentioned there, but I understand there is a downturn in housing right now at the present time due to high interest rates and perhaps it will affect other construction in the private sector too. Has that been taken into consideration, page 8, what the outlook is going to be, forecasting?

**Dr Christie:** For 1990?

**Mr Haggerty:** Yes.

**Dr Christie:** We have not presented the forecast broken down for 1990 by each of these areas. You will note, however, that in terms of output on page 11—we are skipping ahead a little

bit, Mr Chairman—for 1990 we are showing a contraction on the construction side in terms of real output, and that should be reflected by the rate of job growth in construction in 1990.

It has been a very rapidly growing area, and certainly in some parts of the province there have been difficulties in getting enough trained people to do the construction work. We expect that in 1990, with the more moderate pace of construction, we will not see the job growth in construction that we have seen.

**Mr Haggerty:** On page 10, you also talk about the wage settlements. I believe you have indicated in your document that much that was done in the last year was in the public sector. That is all levels of government, you might say. This year, I guess, is a major year in the private sector. Do the steel companies not have their contracts coming up?

**Dr Christie:** Steel is coming up, I think, and autos. There are a number of large private sector agreements coming up in 1990.

**Mr Haggerty:** Any forecast of any difficulties in that area? Have you made any phone calls to the industry or the unions to find out just what they are looking for?

**Dr Christie:** From what I understand, the labour side is looking to catch up and the employer side is looking to be competitive, so I expect that—

**Mr Haggerty:** It is going to be hard times then, is it?

**Dr Christie:** It should be an interesting year for bargaining.

**The Chair:** As a bit of a supplementary to Mr Haggerty's first question, I am not quite clear on how you are showing employment growth in the construction industry as being so substantial and yet a fairly sharp downturn in residential construction. Are you then saying that you see a lot of activity in either public projects or industrial-commercial? Have you broken it down in that detail?

**Dr Christie:** Let me clarify. Page 8 shows employment growth for the period from 1985 to 1989. The downturn, or the moderation is probably more accurate, in housing starts and real construction activity that we are showing here is for 1990. So the picture, putting together the jigsaw puzzle, is of quite rapid growth in construction through 1989 and then some moderation in 1990.

**Mr Morin-Strom:** Some of us from other areas in the central part of the province would be interested in your forecast with regard to the

unemployment rates for the coming year. You brought 1985 and 1989 unemployment rates, but what about this year on a regional basis?

**Dr Christie:** We have not done the forecast of the unemployment rate on a regional basis for 1990.

**Mr Morin-Strom:** Can you say that there are specific concerns with respect to certain industries which are focused in particular areas of the province?

**Dr Christie:** I think the sectoral outlook on page 11 gives our view of what is going to happen by industry, with, for example, weaker activity in 1990 being shown in construction. By and large, there has been a lot of activity in the greater Toronto area in construction. It also shows weakness in resource-based industries, which are pulp and paper and industries like that, which will tend to be more in the north. But having said that, we have not integrated that by industry into a regional unemployment rate forecast.

**Mr Morin-Strom:** Would the fact that there is negative growth in the resource-based industries mean that northern Ontario is facing a recession this year?

**Dr Christie:** Because we do not do activity on a regional basis, I would be hard put to say that. As I understand it, something like 65 to 70 per cent of the northern economy is in service industries, and it is difficult to generalize from the resource-based industries, which are very important but do not constitute the whole economy, to the economy of the north or any part of the province as a whole.

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**Mr Morin-Strom:** Is it not true, though, that the resource-based industries are basically what brings income into the north? That industry may circulate in communities in the north through the service sector, but if you are not bringing income in by exporting the products, which typically are the resource products, the effects are going to be throughout the rest of the economy in that area.

**Dr Christie:** It is certainly true that the resource-based industries are very important to northern Ontario, particularly in terms of the value added that they move outside of both Ontario and Canada in terms of the exporting and wealth-generating activity of the north.

**The Chair:** If there are no other questions at this point, I think we will move on to the sectoral outlook and perhaps that would take us up to the end of page 15, where you wrap up on exports, and then we could go to the next section.

**Dr Christie:** We have discussed some of the elements of this in talking about the regional outlook, but in terms of the primary sector, for example, it shows some moderation in growth next year. This is agriculture and mining, the logging part of forestry. The processing part of forestry will be in the resource-based sector, so forestry is split across those two. Part of this obviously will affect the north as well.

As I say, we are showing moderation of growth in 1990, but a more stable pattern here than in some of the manufacturing industries or in construction. While it moderates in 1990, it remains at about the two to two and a half per cent growth level for the 1991 to 1993 medium-term period.

Manufacturing as a whole is shown as growing at one per cent this year but recovering in a fairly healthy manner, averaging 3.4 per cent growth in 1991 through 1993, but there is some variation within that. Again, the resource-based industries show some contraction in 1990, and while growth resumes in the 1991 to 1993 period, it is very moderate growth, about half a per cent a year.

The transportation equipment sector, motor vehicle parts and assembly, etc., has very little growth in 1989 and moderate growth in 1990, but we believe that that sector has good prospects over the medium term and we see it recovering fairly substantially, growing close to six per cent over the medium term.

It shows the investment goods industry behaving more like the economy as a whole and intermediate products again being weak, very much a similar pattern to transportation and equipment, but recovering. The consumer product sector also shows some recovery, but not the same growth potential, we think, as the rest of the economy.

Construction, after a plateauing essentially in 1990, would grow at about the rate of the economy through the medium term, as would the utilities and the service sector.

**Mr Faubert:** Could I just clarify? What are investment goods?

**Dr Christie:** Generally, capital goods, machines.

**Mr Faubert:** So you mean investing in the capital and manufacturing services?

**Dr Christie:** Yes, production machinery, for instance.

**Mr Faubert:** That is a strange term for it. I thought investment goods were money.



**Dr Christie:** We classify those in financial services.

Page 12 gives some information on the farming sector. Generally, we have noted that we expect agriculture, as part of primary, to grow around two per cent through the medium-term period. These charts note that the farming sector has been taking steps to adjust to a number of the difficulties it is facing, including generation of off-farm income and working off liabilities, attempting to deal with the debt pressures that it faces.

Slide 13 shows some information on the mining sector, particularly on the exploration and development, indicating that Ontario is essentially maintaining its share of Canadian exploration and development expenditures, but the expenditures themselves have declined fairly significantly from their 1987 peak, in part because of federal tax treatment changes and because of the completion of new mines coming on stream.

Page 14 summarizes some of the discussion of the auto industry, particularly with respect to the parts industry, and gives some background at least to our outlook. In particular, I think our people are positive on the auto parts sector over the medium term, in large part because of the location advantages that derive to Ontario parts producers not only from the assembly plants in Ontario but from the proximity to assembly plants in the northern United States.

This chart indicates that something over 60 per cent of our production is within two hours or less of major assembly activity and it shows the gap; for example, less than nine per cent are eight hours or more away from their delivery points. As real estate people put it, location is the first rule of many things. Ontario has a real advantage in some ways because of our proximity to assembly plants.

Finally, with respect to exports, the point of slide 15 is really to put Ontario in context in terms of our outward orientation. Something in the order of 45 to 50 per cent of our gross domestic product is exported—certainly more so than Canada and more so than most western industrialized countries—the point being that Ontario needs to be aware of what is going on in the rest of the world. That in part is a preface to some of the discussion that follows of our comparison to US jurisdictions and other jurisdictions.

**Ms Hošek:** I have a question about slide 11, page 11. It is about the transportation equipment. What leads you to believe that the rebound—this is the automotive sector you are talking about—

will be that significant? That is a very, very significant rebound. What leads you to that?

**Dr Christie:** The rebound itself we see as being a fairly standard cyclical recovery, adjustment to interest rates, etc. As the economy recovers from the slowdown, soft landing, whatever it is that occurs, sales and production will rebound. We think Ontario is pretty well positioned to take advantage of that, not only to partake of its share of the rebound but to increase our share on the production side.

On the assembly part of the industry, Ontario plant and equipment, the plants that have been built in Ontario in the last four to five years, and there have been quite a few of them, are basically the modern equipment in the industry, and as they move to completion and capacity, we feel that our share of the assembly business will increase.

We think that is also reinforced by the fact that assembly wages are still very competitive in Canada. Health care costs are very competitive for Canadian assembly producers. With the dollar coming down to the 81-cent to 84-cent area, and if you believe the people who look out a little farther than that, perhaps homing in around 80 cents—that is not particularly our forecast; that is a number used by people who talk about longer-term trends in exchange rates. We feel all of those things are positive for Ontario assembly producers consolidating and enhancing their share of the production market.

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On the parts side, the location factors I referred to suggest to us that the outlook for the parts people is pretty good. I think the grey book notes that the parts industry faces challenges in the short run. They are under a lot of pressure, a lot of competitive pressure, a lot of pressure from manufacturers in terms of cost-cutting, but they have some of the same advantages I cited for the assembly producers, as well as the locational advantage in terms of getting at those assembly plants that will be operating and producing.

**Ms Hošek:** I understand. When you do this analysis, does it assume basically those plants that are located in Ontario? It does not matter if they are owned by American multinationals—or Canadian branches of them—or the Japanese. You try to factor in all of them at the same time. You do not make a distinction.

**Dr Christie:** No. For the short-run outlook, our auto analysts look at what plants are in production and what their production schedule is. For the longer run, they look at what is nearing

completion, as most of our plants are. Are all the production lines in the plant up? Is it a competitive plant? If the industry is going to slow down, for that manufacturer do we think it will be that Canadian plant or will it be one south of the border? Which is the uncompetitive plant the manufacturer will want to slow down? It is fairly plant-specific and manufacturer-specific, but it does not distinguish per se between a Japanese, an American or a German operator or owner.

**Mr McCague:** For the chart you have on page 14, what percentage of the auto parts production is this chart?

**Dr Christie:** What percentage of auto parts production?

**Mr McCague:** Yes.

**Mr Whitehead:** It is all of auto parts production. Close to half of that is by the Big Three, but I have forgotten the exact—

**The Chair:** We cannot hear the answer without the microphone for Hansard purposes.

**Dr Christie:** Just to translate, it reflects all of the production, about half of which is from the Big Three. I have the expert here, John Whitehead.

**The Chair:** Do you want to repeat what you were saying, John?

**Mr Whitehead:** Yes. That chart reflects the entire auto parts industry. It would not be half but some number reasonably close to half, perhaps 40 per cent, that is actually produced by the Big Three; for example, engine plants and stamping plants and so forth.

**Mr McCague:** I am having a little trouble with the chart and the bullet point that is down below it.

**Mr Whitehead:** Maybe I could re-explain. The chart was based originally on some work done out of the University of Quebec, which surveyed auto parts manufacturers to find out what types of parts should be produced within two hours of a plant, what type could readily be produced within a somewhat longer distance and so forth. Then we simply estimated the different kinds of parts that are made in Ontario and assessed them against which should be within two hours and which could be two to four hours and so forth.

The 61 per cent actually indicates that 61 per cent of the parts produced in Ontario are of the type that according to this survey of auto parts executives, should be just in time, ie, less than two hours. They would include things like stampings and so forth where there is a real

premium on inventory. You have to inventory large amounts because the distances are large. That would indicate that 61 per cent of parts would be very sensitive to locational issues in obtaining and maintaining contracts.

**Mr McCague:** Then the logical extension of that is that the 61 per cent you talk of represents 45 per cent of North American assembly capability.

**Mr Whitehead:** The 61 per cent describes the nature of auto parts production in Ontario. The 45 per cent does not look at our auto parts but just looks at the market that is within two hours, and 45 per cent of the North American market, ie, assembly plants, is within two hours of the Toronto to Windsor corridor, roughly speaking.

**Mr Haggerty:** I was visiting the steel company at Nanticoke last Thursday and one of the concerns raised by the management was the slowdown in the automobile sector which has caused some problems, particularly the manufacturing of steel. I suppose that has some bearing upon the steel plants in Sault Ste Marie and Dofasco in Hamilton too. Has that been taken into consideration? As much as we give praise for the development of the automobile sector and parts in Ontario—you have Honda and Suzuki building automobiles, etc—it is not taken from all the resources, you might say, of Canada or even Ontario; much of those things are parts and they have been brought from Japan, etc.

What bearing does that have? If you look at the United States, I believe they estimate in their forecast that one third of the automobiles that will be sold in the United States will be from offshore. What impact will this have on the whole automobile sector?

**Dr Christie:** In terms of import penetration?

**Mr Haggerty:** When you take in that you are going to have one third of new automobiles sales in the United States from offshore, that means you are not going to have as much production in the United States. Because of our agreement under the previous auto pact, it will have some bearing upon Canadians here and job opportunities.

**Dr Christie:** Perhaps I might make some short comments and then ask John to amplify them. In terms of the steel implications of that, just to clarify it, the implication of what we see on the transportation equipment side here is a parallel kind of thing for steel. We see a fairly level production profile for steel in 1990.

On imported automobiles, I would really just go back to the earlier discussion of how Ontario



is positioned in terms of a production share. We certainly feel that our share could increase on the production side, but I will ask John to comment on how that reflects on imports.

**Mr Haggerty:** We have seen some changes in the past year, even in St Catharines where a number of General Motors employees have been laid off because of moving some of that manufacturing equipment to parts of the United States and to other plants. We have seen it here in Oshawa. We have seen it in Windsor. Does it really look that good in your forecast, that you see employment up in the automobile sector?

**Mr Whitehead:** In the short term there is no question that the steel industry both in the United States and Canada is being affected by the recent drop in auto sales. The numbers to date suggest that the US industry has been hit harder than the Canadian industry, but we are certainly anticipating a very flat Canadian steel industry for the coming year.

With reference to the importing of cars, that is quite an important aspect of the steel question. In fact, the number of cars that have been imported to North America has been a significant problem for the North American steel industry. The last two years have shown declines in import share, however, and correspondingly an increase of share production in North America and we see that trend continuing, so that is an advantage to the North American steel sector.

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My point about the just-in-time delivery also tends to apply to steel, in the sense that we see Canadian steel gaining moderately in the medium term because of increased assembly in Canada and near Canada. Of course I am sure you would be aware of the new Z line that is being built by Stelco in Hamilton, basically to supply the auto industry. I believe Dofasco has not quite got as far as deciding what it is going to do, but it is seriously considering expanding more into supplying the auto industry as well. That will contribute in the medium term, but there is no question that in 1990 they will be impacted by the short-term cyclical loss, particularly in the first quarter of this year.

**Mr Haggerty:** I am concerned about this. The committee has dealt with free trade for about the last two or three years. Just recently the United States has taken a position that it will allow about 40 per cent more import steel to come into the United States. That will no doubt have some effect upon their industry, even here in Ontario. Have you looked at that and seen what has taken

place in that area? Your forecast seems to be that you are looking to say that it is going to be flat, but how flat?

**Mr Whitehead:** The rules with respect to exporting steel to the US are still very ambiguous. Officially, Canada is not being restrained in its exports, but I think most of the steel people would still feel that it would be wise to maintain a cautious approach. From their point of view, they see increased assembly capacity in Ontario as a more immediate benefit, in the sense that it is the cars that go across the border rather than the steel.

**The Chair:** Could I just by way of comment ask all members to speak a little more directly into the microphone. Hansard is having some difficulty picking up some of the comments—not our staff; it is mostly coming from our own members.

I have no one else on the list at this stage, so if you want to move on I would think we would go right up to your "Fiscal Review," and and stop at that point and we may have additional questions, after page 21.

**Dr Christie:** This set of slides really looks at some of the advantages Ontario has with respect to both the United States and other competitors and reflects the priority Ontario needs to place on looking outside its borders because of the importance of exports to the economy.

Picking up at slide 16 on some of John's comments on locational advantages, Ontario producers generally, even outside the auto industry, have a locational advantage in terms of market availability. Ontario is quite centrally located and has good transportation access to some pretty large markets. This slide shows as its title "Total Household Income Within 400 Miles of Selected Urban Centres." household income being a proxy for the size of the market available to a producer or retailer. As the slide indicates, Toronto and Cleveland have the largest markets available to them of some pretty large and prosperous cities. That kind of locational advantage in access to markets is an advantage to Ontario.

Slide 17 gives some indication of labour costs, in manufacturing in particular, comparing Ontario, Quebec and a number of the major US states with which Ontario manufacturers compete. In particular, you will note that total compensation in Ontario, including both wages and benefits, is comparable to that of most of the Great Lakes states. It is lower than in some of the larger, more prosperous states such as Illinois and Michigan, and comparable to New York and Massachu-



setts. Tennessee and Quebec have somewhat lower wages. We have also noted for you the way in which the dollar affects that at 85 cents versus 80 cents. Ontario is at or below both Massachusetts and New York at an 80-cent dollar.

Slide 18 indicates the capital side of the equation of the machinery side, indicating new capital investment per worker—that is, the machines and capital equipment with which we equip workers in Ontario—to be somewhat lower than in the United States, but indicating that we have been catching up since the middle of the 1980s. That performance is reflected in the next slide which shows the rate of growth of manufacturing investment as a whole in Ontario compared to base level in 1980. Manufacturing investment in Ontario has since the mid-1980s grown faster than it has in the United States, such that over the decade as a whole we have outpaced the US in the rate of growth of manufacturing investment.

Some of the members may have seen a report in the press in the last couple of weeks from one of the major banks that talks about Canadian performance and the rate of growth and investment in Canada, indicating that Canadians have been doing reasonably well in that. This information for Ontario in effect parallels some of that discussion of performance in Canada as a whole.

Slide 20 indicates that another indicator of investment, which is research and development performance, has not been quite as robust. Certainly Ontario in the Canadian context is a leader on the research and development side. I indicated here that both with respect to industry-performed research and development and R and D performed by governments and universities, Ontario does somewhat better than Quebec, but compared for example to Massachusetts and Michigan our performance lags.

Finally, slide 21, a source of real advantage to some Ontario producers and manufacturers is the cost-competitive electricity. Note the monthly electric bill in Ontario shown at about \$25,000, about half of what it might be in New York, Boston and the very high-cost places and only marginally above Montreal. Electricity has been an historical advantage for Ontario and in comparison to most US cities remains a source of cost competitiveness.

**The Chair:** Any questions?

**Mr Haggerty:** Yes. On the matter of page 21 on energy costs and how Ontario rates with other communities in the United States and even Quebec, it may be to our advantage, as you said, that we have lower rates in energy costs for the

people of the province and industry in Ontario, but how do you compensate with that when there is a drive, particularly in New York state, to encourage the development of industry to move from Ontario to New York state where they have incentive programs to give you a lower cost of energy and the same thing in municipal tax structures.

How do we compensate for that then? They may get this for a five-year arrangement in agreement with the municipalities and with the New York State Power Authority. They do have it there. It is a subsidy but they are encouraging industry to locate there. How does Ontario compete with that?

**Dr Christie:** Traditionally I think Ontario has competed on the basis of the underlying strengths. Electricity is inherently and consistently less expensive in Ontario than it is in the United States. I think the contrast for Ontario to a break for five years somewhere else would be that year in and year out, by comparison with that other jurisdiction, Ontario will be, or at least has been historically, more cost-effective. It depends, I think, obviously on the particular enterprise you are thinking about. If they are in it for the long haul, it may be that the more consistent and perhaps reliable cost-effectiveness of electricity over the longer term in Ontario will be more attractive to them.

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**Mr Haggerty:** I was concerned about the latest agreement under the free trade agreement that allowed the sharing of our energy resources here in Canada, and particularly the deal that was given to Americans on the selling of natural gas and the sharing of the natural gas in the Northwest Territories, their share of those reserves. That has, you might say, provided a nice nest egg for the Americans over there because it really did secure their energy at a lower cost than they would normally have to be paying today.

**The Chair:** I think we might be getting into a debate on the FTA, which might be inappropriate.

**Mr Haggerty:** We are looking at this forecasting in the province of Ontario and the directions we are going. With all due respect, free trade has an important role in our economy here and the way it is going. All I am saying is when you can allow New York state, and perhaps even Michigan may be going in this direction, to encourage the development of new industry, regardless of where it comes from, Canada or

Ontario, to locate there. I can see it taking place on the border, in the Niagara region you might say, but that deal with the free trade has certainly provided some relief over there until they get on with developing new energy plants.

**Dr Christie:** My understanding of the natural gas contracts has been that of opening up markets for western producers. A lot of that gas, I know, has gone into the western US and southwest, areas with which we do not compete for many things, simply because of location considerations. I think in terms of the energy aspects of the free trade agreement, that again is something a lot of people have identified as an area that attention has to be paid to, particularly if there were a time of shortage. The impact of physical availability constraints and the sharing obligations under the FTA when there are availability constraints would be certainly something that would have a material impact. But that is not, as I understand it, the situation we are in now. It is more of a commercial basis.

**Mr Haggerty:** It was a concern showed by previous witnesses—

**Dr Christie:** It is certainly long-term.

**Mr Haggerty:** —or it was raised in submissions that were presented to this committee a year ago. I stand to be corrected, but I believe it was Union Gas that said that it can buy gas cheaper from the Michigan pipeline, which is perhaps Canadian gas, than from TransCanada Pipelines.

**The Chair:** Could we focus this somehow on the stuff before us? Do you have a question?

**Mr Haggerty:** My question is, we are looking at higher energy costs, not only in the United States and Canada. The price of oil is up in the world market. What effect does that have on our economy?

**Dr Christie:** With respect to the United States, with oil prices now in North America largely at the city gate, let's say, before tax, paying pretty much a competitive oil price, it is not—

**Mr Haggerty:** I am talking about the world price of oil which has gone up considerably.

**Dr Christie:** What I was going to suggest was that if American manufacturers are paying pretty much the same price that Canadian manufacturers are paying, ie, the world price, there will not be a competitive balance one way or the other. The same, I think, would be true of natural gas whereas, with electricity, to the extent that an enterprise uses electricity as its fuel, there will be a cost advantage in Ontario.

**Mr Sweeting:** Something else, if I could, to bear in mind with respect to your question about the specific incentive programs that you are referring to relocating in the US: The issue of particular kinds of incentives being used to try to attract—particularly very localized incentives, the possibility of property tax relief—has been a long-standing issue with a lot of jurisdictions in the US.

To my knowledge, there is no evidence whatsoever that they are successful over time in actually attracting a lot of industry and getting industry relocated. Certainly they tend sooner or later to run up against the very real obstacle that governments are giving up money in order to make this happen, and sooner or later the pressures for where that money could be used relative to, say, an electricity subsidy, become very real pressures that have to be dealt with.

I do not think there are a lot of economists or analysts who think that specific incentives necessarily have a large long-term impact, particularly on the evidence from the US. I do not think there is a lot of evidence from the US that this kind of approach has been—

**Mr Haggerty:** I will see that you get some of the information on what we are discussing today. I mean, it is current.

**Mr Morin-Strom:** I would just like to ask about your graph on page 16. I am really surprised that you are showing that Toronto has a bigger urban population or income within 400 miles of it than some of the US cities. To me it is hard to imagine that there could be a bigger population, which I think this is roughly reflecting, around Toronto than there would be around New York City, which would have the whole population mass of the eastern seaboard within 400 miles, extending from Boston to New York, Baltimore, Philadelphia, Washington, probably into Pittsburgh. I have a hard time seeing how Toronto could have a bigger population base around it than that.

**Dr Christie:** There is the distinction between population and income base.

**Mr Morin-Strom:** I think the average income on the eastern seaboard is probably higher than in Ontario as well.

**Mr Sweeting:** I believe, if I am not mistaken, most of the eastern seaboard is picked up within that measure. In other words, New York gets Toronto and Toronto gets New York. Toronto also gets Chicago; New York does not get Chicago. So if you just—

**Mr Morin-Strom:** New York and Chicago are within 400 miles of Toronto?

**Mr Sweeting:** I believe that those places are close to being on that mark anyway. But that is the explanation of how it is picked up.

**Mr Morin-Strom:** I thought that would reach Detroit and upper New York state, but I did not think it would actually reach to those cities, to New York.

**Mr Sweeting:** The 400 miles is typically a proxy—the typical proxy is one day's trucking when you look at this measure: what you can reach in one day's trucking, one day's normal drive trucking, which picks up most of New York, Boston, all that sort of thing, from Toronto.

**Dr Christie:** And 400 miles south and west of New York, when you get down that far and get out to the west, you are not picking up as much. For example, you do not see—

**Mr Morin-Strom:** Especially if you go south and east.

**Dr Christie:** True.

**Mr McCague:** Is there any explanation for, or can you explain why the research and development is so high in Massachusetts and Michigan, according to your chart on page 20?

**Dr Christie:** Massachusetts has quite a highly developed infrastructure historically linked with Massachusetts Institute of Technology and Harvard, and a number of firms appear to have located in the Boston area to take advantage of access to not only the people who work at those institutions but also the networking that can go on with other institutions, with other companies that have grown up there, often as offshoots of activities at the universities. There appears to be some phenomenon creating a critical mass, if you like, of technology-oriented businesses, often in partnership with universities, that then begins to attract.

**Mr McCague:** Ontario, as far as government and university research and development are concerned, is higher than all except Massachusetts. In the areas where the private sector or industry R and D is much higher, is that being done through tax breaks, or how?

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**Dr Christie:** I think it varies quite a bit from jurisdiction to jurisdiction. For example, in Michigan a lot of it would be auto-related. In Massachusetts there is a lot of computer equipment. It is difficult. Tom Sweeting, from the tax

side, might have comments on the actual tax incentives used in those jurisdictions.

**Mr Sweeting:** Typically the Canadian, including Ontario, tax support for research and development is seen to be more generous than support available in the US. From a tax perspective, the performance of Ontario industry is not one that, compared to the US, is such because it gets less favourable tax treatment. It is generally seen to have more favourable tax treatment in Canada.

**Mr McCague:** More favourable in Canada?

**Mr Sweeting:** In Canada than in the US for private sector industry R and D.

**Mr McCague:** Are you saying there is more research in—

**Mr Sweeting:** No, I am saying the tax relief provided for research is better in Canada than it is the US, which does not explain why Ontario's industry section is much smaller than is the case of the other ones.

**Mr Faubert:** Just one question: On page 17 we have hourly manufacturing compensation. You have selected states, and thrown in there is Tennessee. What about Georgia and Florida? Of all the states that are aggressively marketing economic development opportunities in Canada, Florida and Georgia have to be the tops because they have climatic advantages and quality of life and everything else, which they are promoting to get companies to move down, as well as being a low-wage state. They are all low-wage states, some lower than others, and Florida is among the lowest except in the service sector. In manufacturing it is one of the lowest-wage states in the eastern US.

**Dr Christie:** What we tried to do in selecting states to look at was to select both the traditional competitors and, by and large, the continuing competing states with Ontario; that is, the states with which we share markets and with which we have traditionally competed. So you see Illinois, Ohio, Michigan and New York. Tennessee is there in part to reflect the fact that there is some competition with Ontario as you get farther south. Tennessee is a representative of that. As you go down to Florida, for example, going back to the discussion of auto parts and just-in-time, the one-day trucking rule of thumb, Florida and Georgia begin to move you a little bit outside that market area with which we traditionally compete and which people traditionally look at.

**Mr Faubert:** That would be explained by automotive, but there are a lot of products that can be manufactured where the wage offsets the



transportation costs as needed, or they can be transported over a longer period of time. There is great advantages to that. That is one reason why manufacturers are moving into the northern states of Mexico. It is offset somewhere along the line. Are we using the old rules when new things are happening?

**Dr Christie:** We have not noticed in terms of, let's say, the states people talk to us about. For example, when someone calls and says, "Company XYZ is thinking about such-and-such a state or someone in such-and-such a state is thinking about Ontario," Florida and Georgia have not been states that we have heard a lot of. I think that may in part be the traditional thinking, but it may also be the fact that the areas are traditionally not ones Ontario firms have been engaged in and are engaged in and are not ones where there is the expertise in Florida, for example.

With respect to Mexico, the kinds of production that people have looked at moving to Mexico or have moved to Mexico have tended to be relatively low value-added, mass production sorts of activities that lend themselves to transportation so that, for example, if for that kind of product, Florida versus Mexico, Mexico will have the advantage, particularly if transportation is not a concern. Generally, if transportation is not a concern, the Pacific Rim is also a candidate and certainly other elements of the Pacific Rim are also candidates. Perhaps we should think even more globally than this chart is showing.

**Mr Faubert:** That is the point I was getting to.

**Mr Reycraft:** Does the compensation chart on page 17 include the cost of health insurance that is paid by employers in US manufacturing industries?

**Dr Christie:** Yes. It is total compensation, wages and benefits, which should include health care benefits.

**Mr Reycraft:** Do you know what percentage of the total compensation packages are represented by those health care insurance premiums?

**Dr Christie:** Our understanding is that, depending on the firm, depending on the kind of company, it may run from five to eight per cent. Tom, you may have a comment on that.

**Mr Sweeting:** Actually, I do not have any numbers off the top of my head other than that the five to eight per cent does not seem unreasonable. It is quite substantial and growing very rapidly, according to all the information we have.

**Mr Daigeler:** I guess I have a bit of the same difficulty as Mr McCague seemed to have in swallowing or believing what I heard you say, because it seems to go against my, admittedly, newspaper wisdom on the research and development support in Canada. From reading the newspapers I always thought that we in Canada, in terms of government, were not putting enough into R and D and were getting blasted all the time, in Ontario as well. But from what you are saying, we are actually doing quite a bit better than the US, for example, when it comes to R and D on the part of the government. So I am just wondering, have I read the newspapers wrong?

**The Chair:** Do not be sensitive now.

**Dr Christie:** The one observation I wanted to make is when you are comparing Ontario with the United States, the defence spending related to R and D in the US, which is something that we do not have in Canada, do not do in Canada, and particularly is not a matter of consideration in Ontario, is a way in which particularly the federal level in the United States moves a lot of money through R and D.

Tom's comment about government support in Canada, particularly in Ontario, was with respect to the tax climate, that is, the incentives given to private industry to undertake R and D, whereas the government role in the US is in part in tax benefits, but it is very largely in directed spending, particularly on the defence side. So there is a bit of an apples-and-oranges comparison in terms of the tools available to governments to effect a commitment to R and D.

**Mr Jackson:** Also, if you look at certain resources, for example, Ontario Hydro does most of its own research and development, which would be completely within the arm of government, or should at least statistically be recorded that way, whereas the utilities in the US are virtually all privately owned and therefore their research and development would appear on the industry or private sector panels. What impresses me is the disproportionate relationship of government and private sector activity on research and development, not the numbers but the ratio.

**The Chair:** Yes, I believe you are right.

**Mr Jackson:** Would you not say that with defence spending and research and development in defence being down in the US, as has been clearly signalled, that will have an impact on our economy, depending on what happens to the American economy to fill that void, whether it goes into the resource base or into the manufac-

turing base, one which we compete more directly with?

**Dr Christie:** To the extent that there was a significant shift out of production for defence for the United States and into alternative goods and services, the US is our biggest trading partner and it would certainly have an impact on us. I do not think it is clear at the moment what direction that would go in, and it is also likely something that would occur more gradually rather than rapidly.

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**Mr Jackson:** I think it will happen quite rapidly. There is all that steel that is now not going into the production of helicopters, tanks and planes because they are out of Vietnam and they know they are not going to sustain a European existence. The market forecasts those same resources are being produced out of the ground and now we will have to go into toasters and ovens and all those other things. The presumption is that they will be rather aggressively pursuing that in terms of manufacturing and there will be a push in research in those areas.

Their manufacturing sector is in better shape than ours is in order to adapt. That is the first principle I am reading in some of the stuff I am looking at. I was just anxious to see, as I have stated, which direction it may go in, whether it is resource based or whether it is manufacturing based.

**Dr Christie:** I do not think we have a read on that now.

**The Chair:** Back to Mr Daigeler's point. I think what needs to be clarified here is that you made a statement that Canada is ahead of the United States when it comes to tax incentives for research and development, but is it not also true that the United States, as a percentage of its gross national product, would be substantially ahead of Canada in research and development?

**Mr Sweeting:** That is correct.

**Mr Daigeler:** In the private sector?

**Mr Sweeting:** No. If you look at the chart here for Ontario, it has the dark grey area; that is performed by government and universities. That is the research they do. The chart called "Performed by Industry" is the part of research that is done by business out there. That grey area of support is done for a number of reasons, one of which is that it has tax incentives to do it.

As long as I understand the chart correctly, our tax incentives are not part of the dark grey area. That is not research and development performed by government; that would show up as part of the

way business funds the research and development it does. That is my understanding of the chart. Let's make sure that is right.

**Mr Daigeler:** That is different again.

**The Chair:** Let us make sure that is right and before you go on we will get some clarification.

**Mr Daigeler:** You are saying we can be quite proud in Canada of the research and development that is being done by our universities and by government, as long as one philosophically supports that, I guess.

**The Chair:** I am looking to someone at the back to say how proud we are.

**Dr Christie:** It is six to two.

**The Chair:** If we are going to brag about this, we want it known.

**Mr Daigeler:** That is right. Of course, somebody could say all of that should be done by the private sector; the federal Tories would say that. From what you are saying, in comparison to the United States, our government and our universities are doing more research and development.

**Mr Sweeting:** According to these states here on the chart.

**Dr Christie:** If you would like some follow-up on this in terms of performance versus funding, because that is one of the distinctions here in terms of who actually does it versus who funds it—the role of defence and perhaps the US as a whole—would that be useful?

**The Chair:** As to what creates some of the confusion, Ms Anderson has handed me a document which shows that in 1985, on gross expenditures in research and development in major Organization for Economic Co-operation and Development countries, we are below France, the United Kingdom, Germany, Japan and the United States and only marginally above Italy. You have to compare apples to apples. If we are talking about tax breaks, that is one thing, and if we are talking about money spent as a percentage of our production, that is another thing again. Maybe you could clarify that.

**Dr Christie:** This pertains to the latter. If I remember those figures correctly, and we will follow up on this to confirm it, my impression is that on average those figures will show the US spending about three per cent of gross domestic product on research and development and Canada spending in the order of two per cent.

What you find when you look into those figures is that of the US three per cent, close to one per cent is defence, which is the point I was

making about apples and oranges. But if you would like, on the areas I described, funding versus performance in the role of defence, we could follow up with further information.

**The Chair:** I think that would be helpful.

**Mr Morin-Strom:** I have a supplementary. The US government involvement in research and development, as you say, is very heavily in defence. My understanding of your chart is that this would show up in the grey area, not the dark area, because most of defence research and development is not done by the government but is performed by the aerospace industry and the other major industries. So it would show up as being performed by industry even though it is heavily government driven in terms of the procurement policies and so on, I guess.

One of the problems here in Canada and Ontario is that we are really looking at the government involvement as the dark figure here, while in the United States a big component, the government component, is shown on this chart under the performed-by-industry component.

**Dr Christie:** That is certainly correct. I think it remains true that when you standardize, let's say, for the role of defence in the US, broadly speaking there is more spending on R and D and more spending by industry on R and D even without the role of defence.

**Mr Jackson:** And more industry spending at universities in the US, which is a further way of confusing this chart. But because their universities are not publicly financed or deemed to be government agencies, if I could abuse the definition a bit, a lot of the private universities are doing a lot of research under private industry contracts. I do not know where that would show up here. I presume it is performed by universities but it is private sector money, whereas we have a woefully lower rate of that kind of activity in this province.

**Dr Christie:** That is the converse of the distinction made with respect to defence in the sense that defence is performed by industry but funded by government. As I understood what you were referring to, it was activity that would be funded by industry and performed within the university. That is the funding versus performance distinction. As I said, we will try to pull these numbers apart and paste them together to show those differences.

**Mr Jackson:** The Ontario student federation and the faculty association will be before this committee. They have argued for the last two years that there are insufficient research dollars

being spent in Ontario. That is why there is some interest in getting a better understanding of this chart. On the one hand, they are using statements about what is going on in the US. This chart throws a different light on that.

**The Chair:** Depending on how you interpret it, we could probably have about 40 different opinions.

Speaking of charts, could I ask you a question on 17? I think this could be another matter of interpretation. When you talk about hourly manufacturing compensation, does this take into account any particular analysis of certain sectors—for example, the fact that there would be a heavy concentration in Michigan in the auto industry paying in the \$18-an-hour range—and if it does, would it then indicate that perhaps some of the manufacturing jobs that were analysed in our province and in other areas are less value added?

**Dr Christie:** This has not been done on a by-industry, by-state basis, if that is what you mean. It looks at things by state, so the fact that Michigan is very high represents the presence of a lot of relatively highly paid auto assembly jobs in Michigan, very much like in Ontario, whereas in Tennessee the job composition in manufacturing would be different. This is presented as a way of giving you an indication of the market, what the market pays for certain kinds of activity within the different jurisdictions, in part as a reflection of the kind of activity that does take place within the jurisdiction.

**The Chair:** I guess my problem is not dissimilar to Mr Daigeler's comment about the perception being that we Ontarians and Canadians are better paid, better compensated on an hourly basis or whatever way you want to look at it, particularly when you add in the cost of our social benefits that we enjoy; that we are better off than our American counterparts across the river.

Again, am I interpreting something here that I should not be? This would seem to indicate to me that hourly compensation in Illinois, Ohio and Michigan is substantially higher than in Ontario. Is that accurate?

**Dr Christie:** Yes, that is accurate.

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**The Chair:** Do you have a question? Are you just looking at me in admiration or what is the name of the game?

**Mr McCague:** On page 16, I suspect when you were looking at Cleveland and Toronto there was a lot of overlap, because you mentioned the



400 miles or kilometres or whatever it was. What would happen if you were to use New York and Toronto? Are Cleveland and Toronto really comparable? Is household income in Cleveland as high as in Toronto, or higher?

**Dr Christie:** I do not have the exact Toronto versus Cleveland figures.

**Mr McCague:** My guess is that it is not. Is not the higher one, as you have mentioned before, sort of the New York influence? That word came up; it is not mine.

**Dr Christie:** For example, just by comparison, certainly the Michigan influence with respect to Ontario—referring back to that other chart in terms of hourly compensation—household income in Michigan will be quite favourable to Toronto. The 400 miles, as was indicated, will also take in quite a bit of New York.

I guess I am a little confused as to what the question was.

**Mr McCague:** I think it is irrelevant. I do not think anybody gives a damn, if you are within 400 miles from Cleveland or 400 miles from Alliston or Toronto, that your income happens to be equal, like these are, but I would be interested to know if the income in Toronto is similar to New York.

**Dr Christie:** You would like to see a comparison?

**Mr McCague:** I am not asking you to do anything, but you have got all these other places like Detroit. You have got New York in here, and I guess that is on its own, so Toronto is higher than New York.

**Dr Christie:** No, this is within a radius; if you draw a 400-mile circle, 400 miles around.

**Mr McCague:** So if you take a dart board and shoot at it, you will see what your salary is.

**Mr Sweeting:** No. People say Toronto is well located and Ontario is well located for manufacturing. How can you try to demonstrate that? This chart says if you took Toronto on a map and drew a circle around it with a 400-mile radius, you would get \$1.3 trillion in income earned by people within that circle. So that is a proxy to try to get at the size of the market, the buying power that is within 400 miles, which then becomes another proxy, one day's trucking.

Cleveland has a similar access to that \$1.3 trillion of income. There the similarities probably end, which is the point you might have made in the first place, but I think it is important to emphasize that if you think of all the big cities on the eastern seaboard and all the strong manufac-

turing bases, none of them has access to as much household income, people spending money, as—

**The Chair:** Should that not be disposable income that you are talking about, though, more than household income?

**Mr Sweeting:** It can be, sure, if you want to do disposable. This uses aggregate household income. It is maybe reinforcing the obvious to some degree.

**Mr McCague:** I do not know how it even got in here. I guess it is a point you wanted to make.

**Mr Sweeting:** Yes, I suppose.

**Mr McCague:** The bullet point.

I still have to have an argument about this one about just-in-time deliveries. However, sometimes the bullet point and the chart seem to be a little bit separated, but go ahead.

**The Chair:** I think we can assume that sometimes charts can be interpreted in many different ways and therefore can be somewhat misleading, but we will accept the point being made.

We will move on to your fiscal review. The fiscal review probably takes us right up to your final page on the goods and services tax, and maybe we will leave that for the end, so if you can stop just before the GST in your medium-term fiscal outlook, we will go through those and then have questions.

**Mr Salerno:** The first slide, on page 22, indicates the makeup of the province's revenues. As I go through the specific revenues, I will give an indication of the relationship between the specific revenues and the economic performance; in other words, the type of responsiveness and the yield that is derived by the specific revenues in response to the economic performance and outlook.

We see that taxation makes up 74 per cent, or 74 cents out of every dollar, of revenues raised in the province. Personal income tax is the largest single source of revenue to the province, making up 31 per cent of the provincial revenue. Personal income tax and corporate taxation, which make up another 12 per cent, are also the most responsive in terms of the relationship between the economy and the province's revenue yields.

Let me say, for example, that for every one point of growth in the economy one would expect somewhat more than one per cent growth in both personal income tax and corporate taxes. In economic terms, they call it the elasticity of responsiveness. In any event, it is just an indication of how that revenue source moves in response to or in relation to growth or change in

the economic performance. The converse is true: if the economy turns down, you will get more than a proportionate decrease in that revenue source. In particular, in the case of the personal income tax that is so because of course the personal income tax has a graduated tax structure.

Retail sales tax is the next biggest, at 21 per cent, and the responsiveness is almost one to one in relation to the growth in the economy. Other things like consumer confidence in what will happen in the economy will also have a bearing on the yield of that particular tax.

Gasoline tax and others are less responsive because the gasoline tax and other fuel taxes have a unit tax associated with them, 9.3 cents per litre. The yield to the government, to the province, is not related to price. In other words, there is no gain because of price. The only increase in revenue comes about through an increase in consumption.

Payments from the federal government account for 13 per cent of the province's revenues. The biggest source in that is the established programs financing. This is the federal government's share of programs such as secondary education and health spending. This, by the way, has been decreasing quite significantly, particularly over the last five or six years.

The Canada assistance plan is the next biggest, at four cents of every dollar, and a variety of other cost-shared programs account for two per cent.

Other revenues make up 13 per cent of the province's revenues. These are, by and large, things like fees and licences of various natures, such as vehicle registration fees, drivers' licences and others. Liquor Control Board of Ontario profits and interest on investments that the province has, those two sources account for one per cent each. OHIP premiums currently account for three per cent, but starting next year that will drop to zero and the taxation source will be increasing. I will say a few words about that in a minute. I will say a few words about that in a minute. Other sources make up four per cent.

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Following in the next slide are summarized the key taxation moves of the 1989 budget. The employer health tax is an important move on the part of the government to restructure the health care financing. The EHT is expected to generate approximately \$2.1 billion net on a full-year basis and replaces the OHIP premiums, which are currently about \$1.9 billion on a full-year basis. Once fully implemented, in the first full

year the EHT is expected to fund 16 per cent of the health cost.

The commercial concentration tax is another new tax. It was introduced to help pay for transportation capital, particularly in the greater Toronto area. On a full-year basis the commercial concentration tax is expected to generate \$115 million.

The budget also introduced a package of environmental taxes. These were to promote better awareness of the environmental impacts of certain products and to help provide funding for new environmental initiatives. These taxes included a new tire tax of \$5 per tire and an extra tax on fuel-inefficient automobiles. The retail sales tax exemption for pesticides and fertilizers was limited and there was an introduction of a disposal charge on beverage alcohol containers for which there was no deposit or recycling system. All of these environmental initiatives are expected to generate \$64 million on a full-year basis.

On the next slide we have a distribution of Ontario's expenditures. The top pie chart represents the most recent distribution, the 1989-90 fiscal year. Social expenditure accounts for 68 per cent of provincial spending. Health is the single biggest expenditure source or area, accounting for 33 per cent of provincial spending.

**The Chair:** Excuse me one second. I think it might be appropriate. After you go through expenditures, since we have done revenues in the first two pages and then expenditures, there may be questions at that point, before we get into the debt proportion of it. I just want to let members know that they may want to be ready if they have any questions on revenue or expenditures after page 25.

**Mr Salerno:** Education in general, including universities and colleges, accounts for 19 cents out of every dollar. Social services and income support programs account for 16 per cent. The economic and resource development areas account for 15 per cent. Public debt interest is 10 per cent of the provincial budget. Justice makes up four per cent and general government the balance of three per cent.

The next slide simply translates these numbers into actual dollars and I will not go into them unless there are specific questions. I will now turn to Robert Watson to cover the makeup and say a few words on the provincial debt and financing.

**The Chair:** Do you want to do that now, or do members have questions on this first group?

**Mr Haggerty:** I just want a clarification. I believe you said that the present employer health tax will generate \$2.1 billion.

**Mr Salerno:** Net.

**Mr Haggerty:** Net. Previously, under OHIP, you generated what?

**Mr Salerno:** Roughly \$1.9 billion on a full-year basis.

**Mr Haggerty:** And we have moved now so that we will be picking up 16 per cent of that.

**Mr Salerno:** The \$2.1 billion will represent 16 per cent.

**Mr Haggerty:** Sixteen per cent of the total health cost.

**Mr Salerno:** Right.

**Mr Reycraft:** You mentioned that the federal government payments had decreased significantly within the last four or five years. Can you attach any numbers to the decrease, even in percentage terms?

**Mr Salerno:** In 1985-86 the federal government represented 17.5 per cent, and right now I think it has dropped to 13.4 or so; 13 per cent.

**The Chair:** Are there any specific areas you can point to with that reduction?

**Mr Salerno:** Particularly the established program financing.

**The Chair:** I am sorry?

**Mr Salerno:** The established program financing area has been limited quite significantly. There was a cap in the early 1980s, 1981-82 I believe, a six and five cap, and subsequent to that, I believe in 1985, they limited the growth to two per cent below the growth in gross domestic product.

**The Chair:** Help me a bit with established program financing.

**Mr Salerno:** This is the federal government's sharing. It is a block fund.

**The Chair:** Unconditional or—

**Mr Salerno:** It is not specifically earmarked, but the relationship is supposedly to health and education, specifically post-secondary.

**The Chair:** So the main reduction in federal transfer payments has been in the area of post-secondary education and health care costs.

**Mr Salerno:** Right.

**Mr McCague:** Do you get less money one year to the next?

**Mr Salerno:** No. It is a reduction in the rate of growth. This talks about the proportion. Obviously, since 1985 the provincial revenues have

increased from roughly \$26 billion to now \$41 billion. As a proportion of the total, the federal share has decreased. The rate of growth is significantly lower than the growth in own-source revenue specifically.

**Mr Haggerty:** Just on the clarification of the distribution of Ontario expenditures, I noticed that the social expenditures on one page were 68 per cent, and then it says social services and income support was increased, I guess in the 10-year period, from 11 per cent up to 16 per cent. Is that anything related to the Thomson report then? It was implemented last—

**Mr Salerno:** Right. It would have the first instalment, let's say, of the Thomson report in there. It would be reflected in the 16 per cent.

**Mr Haggerty:** Would it be that high, then?

**Mr Salerno:** I do not think it is the driving force behind this huge increase. I think it is one of the factors, but realistically, because it was the first year, a lot of the expenditure for the Thomson report will be reflected in subsequent years, namely next year. It will be the major jump.

**Mr Haggerty:** I thought the first year was about \$500 million for the implementation of—

**Mr Salerno:** No. The first full year was, I think, about \$410 to \$425 million.

**Mr Costante:** In this year's budget there is about \$120 million, and the full-year cost is about \$415 million of what was announced in last year's budget.

**Mr Haggerty:** For what? Can you say—

**Mr Costante:** The full-year cost that is included in the 1989-90 budget is about \$120 million, and it gets phased in over three or four years. When it is fully implemented, it will be \$415 million.

**The Chair:** Could we have your name for Hansard, please?

**Mr Costante:** My name is Kevin Costante and I am with fiscal planning policy branch.

**The Chair:** If there are no other questions then, we will move on to the debt presentation.

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**Mr Watson:** I will cover the composition of Ontario's debt in absolute terms and then look at some relevant measures of debt and the cost of servicing the debt.

The pie chart on page 26 shows the composition of Ontario's own-purpose total debt, which totalled \$39 billion at 31 March 1989. As you can see from the chart, the largest component in the chart is debt owed to the Canada pension plan,



which is about \$14 billion and represents about 36 per cent of the total. The next largest is the teachers' superannuation fund, and that is the main fund, at \$13.1 billion, which is 34 per cent. If you add in the teachers' inflation adjustment fund, which is actually shown in other pensions, of \$1.4 billion, that will increase the percentage owed to the teachers, both the basic fund and the adjustment fund, to \$14.5 billion and it moves to the top position at 38 per cent.

Other sources of pension debt are the public service superannuation fund and its inflation fund, which total \$6.3 billion, or 17 per cent, and then finally the Ontario municipal employees retirement system, to which a debt of \$1.3 billion is owed, or three per cent of the total. So 94 per cent of the debt of Ontario is owed to pension funds. The remaining six per cent represents province of Ontario savings deposits, debt issued to the public and a small amount of federal-provincial loans, which total \$2.8 billion, to arrive at the final total of \$39 billion.

The next chart, on page 27, is an attempt to get a relative measure of Ontario's debt; that is, it shows the total own-purpose debt as a share of the economy or total debt as a percentage of Ontario's gross domestic product. From the charts you can see that from a high of 18 per cent in 1983-84 the ratio has declined to 14.7 per cent in the current fiscal year, which is its lowest level since 1975, when the ratio was about 14.8 per cent.

Another relative measure of the debt that is in the grey book and is not in the handout but shows the same sort of result is looking at the number of months' revenue required to repay the debt. Ten years ago it took 15 months of revenue to repay the debt. This fiscal year it will take about 11.8 months, which is down from a high of 15.4 months in fiscal 1983-84.

Moving on to the chart on page 28, we can look at the relative cost of servicing the debt using a ratio of public debt interest as a percentage of revenue or, expressed another way, how many cents of every dollar of revenue goes to pay interest on the debt? The numbers that Mr Salerno was talking about in terms of the ratios was public debt interest as a per cent of expenditure. This table shows public debt interest as a per cent of revenue. Ten years ago, the ratio of public debt interest was 10.2 per cent of revenue, or 10.2 cents of every dollar went to pay the interest on the public debt. This year, it will be about 10.5 per cent, which is down from a high of 12.4 per cent in 1985-86.

**Mr Reycraft:** I want to ask about the interest rate that is paid on Canada pension plan borrowings. What is it? Does it vary from year to year, and how is it determined?

**Mr Watson:** Yes, it varies monthly actually and it is based on the average yield of three long-term government of Canada bond issues. That yield is determined each month and that is the rate that is applied to CPP.

You were asking about the rate on CPP. The most recent rate, for December, was 9.26 per cent, and for this fiscal year, to date the average rate has been about 9.65 per cent.

**Mr Morin-Strom:** Is there something that we do not know when you use that qualifier, "own-purpose" total debt? What does "own purpose" mean?

**Mr Watson:** I am sorry. I should have made that clear. As you know, the province of Ontario issues debt for its own purposes and also, in certain instances, issues debt on behalf of Ontario Hydro; that is, it had issued debt on behalf of Ontario Hydro in the United States market. Also, with respect to CPP borrowings that have been advanced to Hydro, there is a requirement that that has to be borrowed by the province first and then passed over to Hydro. That debt would be described as Ontario debt issued for Hydro purposes, and the residual amount of Ontario's debt outstanding is the debt that is issued for its own purposes.

**Mr Morin-Strom:** It sounds like, with 94 per cent of that debt, as you say, accounted for by pension funds, the Treasury or the government has had some type of objective of not maintaining debt outside of those pension fund debts and not wanting to go to a position where it had to go to the marketplace with debt. Is this a new phenomenon, or historically have we had quite a period of years now where in fact the total debt load of the province has been very close to matching what is in pension funds?

**Mr Watson:** Actually what that really shows is that in the case of the teachers' superannuation fund and the public service superannuation fund, by law, the province had to borrow whatever surplus funds there were. Ontario has not been in the public market in its own name since 1984. I do not have the numbers in front of me, but based on that, I would suspect that portion of the pension plan would continue to be quite high over that period.

**Mr Morin-Strom:** I guess what I am getting at here is that, as you say, up to just this last month or so when the new pension acts were passed, all

the teachers' superannuation and the public service pension funds had to go into government of Ontario securities, which in a sense perhaps defined how much the government could borrow on an annual basis without having to go on its own to the marketplace. Have those figures in fact defined in some sense what kind of budget and what kind of deficits you have been willing to run and defined how much debt you are willing to put on the province, or is it just coincidence that it happens to match?

**Dr Christie:** If I could just make one observation, in the years when that sort of cash requirement or whatever was larger than what was involved with the pension funds, the province borrowed in public markets, as in 1984. In recent years, as borrowing requirements have been a lot lower, the province has chosen not to make use of all the pension fund money that was available to it. If I am not correct, then Robert will correct me on this. Since 1986, the province has borrowed for its own purposes very little of the Canada pension plan money that has been available to it.

If I understood your question it was, have the province's borrowing requirements matched what is available?

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**Mr Morin-Strom:** In terms of what pension funds are available. Certain parts of it are mandated. The public service fund and the teachers' superannuation fund are formula-based, on how many public servants or teachers there are and so on; figures would determine how much you have to put up in terms of commitments to those plans. The Canada pension plan perhaps is the variable one where you do not have to fully exercise it, and on that one maybe you have more flexibility.

**Dr Christie:** That is the case. As deficits have fallen below the level at which Canada pension plan borrowing was needed, that Canada pension plan borrowing was not done. It was foregone. It was offered to Ontario Hydro and I gather Hydro has been the major user. Robert would have the figures on it.

**Mr Watson :** Hydro has borrowed about \$2.1 billion from the Canada pension plan over the last few years.

**Mr Morin-Strom:** Do you have the figures from recent years, back to 1984, say, in terms of what Canada pension plan funds would have been available to the province and how much have been exercised for our own purpose and for

Ontario Hydro and then what balance was never exercised?

**Mr Watson:** Sorry; I do not have those numbers.

**Mr Morin-Strom:** Could we get them?

**Mr Watson:** Sure; we can find those.

**Mr Haggerty:** Following Mr Morin-Strom's questioning, the 94 per cent owing to the pension fund, you mentioned that some of it goes to Ontario Hydro and is put into capital works, is it not?

**Mr Watson:** That is correct.

**Mr Haggerty:** So there is a return in a sense. It really does not show you all the debt you have. One is a liability but the other is an asset and in the long run because you have a building or an institution that is there.

I was thinking of the teachers' superannuation fund. I believe there is a big issue coming due in 1992. At one time it was issued at 40 years or something such as that. In 1973 or 1974 the government of the day bought those investment certificates back at 3.5 per cent or something such as that and then brought it up to six per cent or something such as that and then they come due in 1992.

There is that but I understand that money was borrowed for school purposes, for building new schools and hospitals. Am I correct that much of this money that is borrowed from the pension fund goes to capital works?

**Mr Watson:** Yes, the province's borrowing program is the residual requirement. Expenditures include capital expenditures as well. There is not a definite earmarking but you can see a relationship.

**Mr Haggerty:** What would the capital be? What are we looking at? You are looking at about \$36 billion. Would 50 per cent of that be for capital?

**Mr Salerno:** In this fiscal year, the capital expenditure is approximately \$3.2 billion. Roughly \$2.6 billion of that is coming from operating surplus, so \$600 million in rough numbers is being borrowed.

**Mr Haggerty:** There has been some new legislation brought about how that will allow municipalities to borrow from the Canada pension plan. That bill has been passed and given third reading, I presume.

**The Chair:** School boards.

**Mr Haggerty:** School boards and municipalities have a right to borrow from it. Have any of

them taken advantage of borrowing money from the Canada pension plan?

**Mr Watson:** I do not believe the school boards have.

**Mr Haggerty:** Not yet, but municipalities, I think it was.

**Mr Watson:** Universities, I think: \$200 million for universities.

**Mr Haggerty:** It is \$200 million. Municipalities have not tapped into this then since the new act was changed.

**The Chair:** We are trying to get some clarification whether it is just the regional municipalities or all municipalities.

**Mr Haggerty:** I thought it was all municipalities.

**Interjection:** Especially school boards.

**The Chair:** I know it is school boards. Does anyone know the answer to that? I forget the number of the bill Mr Haggerty was talking about. Was it Bill 18?

**Mr Haggerty:** Bill 20.

**The Chair:** Allowed for school boards to borrow from the fund?

**Mr Haggerty:** Municipalities, too. There was one there. There was a former bill and then they amended it so that they could get the money from the Canada pension plan. It would give them access to it to borrow directly.

**Mr Salerno:** I believe it was only school boards.

**The Chair:** I thought it was only school boards too. The regional municipalities may be allowed to borrow or may be required to borrow for the school boards, on their behalf, and then pass it on. That may be a similar arrangement to the provincial borrowing for Ontario Hydro. Whenever the school boards issued debentures, they always went through the region, at least in my experience. That may be where the confusion exists.

**Mr Haggerty:** At what rate do they borrow? What is the interest rate on borrowing from the Canada pension plan? What is the going rate now?

**Mr Watson:** The most recent rate was 9.65 per cent.

**Mr Haggerty:** Well below the bank rate of one over prime or something, so there is a benefit or advantage in going this route and tapping the Canada pension plan.

**Mr Watson:** Excuse me. I am sorry, but 9.65 per cent is the rate on average for this fiscal year. The rate for December was 9.26 per cent.

**The Chair:** There are two pages left in your presentation, the one dealing with the medium-term fiscal outlook and the other the GST. Maybe we could deal with them separately, Dr Christie, if you would not mind. Maybe you could give us a brief runthrough on your fiscal outlook up to 1993 and then we will deal with the final page on the GST.

**Dr Christie:** Tony Salerno will cover the medium-term fiscal outlook and Tom Sweeting will discuss the GST outlook.

**Mr Salerno:** On page 29 we have a medium-term fiscal outlook constructed. This outlook is predicated on the economic forecast we heard earlier. Specifically, we have nominal gross domestic product growing at the rate of 7.2 per cent, eight per cent and 8.1 per cent for the three years 1990, 1991 and 1992-1993.

We see that the deficit with this economic outlook is projected to increase from \$600 million this fiscal year to \$900 million in 1990-1991, \$1.6 billion in 1991-1992 and \$2.4 billion in 1992-1993. The way these projections were constructed was as follows: We have taken the economic projections and applied the average responsiveness that I talked about before of the aggregate revenues to this economic growth. This average was 0.9.

In other words, what that means is that, for instance, in 1990-91 the nominal growth of 7.2 per cent will result in revenues growing—at least the projection is—6.3 per cent. There are no changes to the existing revenue policies or taxation policies and the expenditures have been projected to grow on the average of the past three years at 8.7 per cent.

There is nothing to say that is the way the expenditures will continue to grow. Government policy may alter that. It is the same with the revenue projects. Indeed, if the mix of real to nominal economic growth is different, we will have a different responsiveness of revenues because our revenue structure is such that the yield is higher with real economic growth than with nominal.

**The Chair:** Mr Haggerty, do you have a question?

**Mr Reycraft:** Is the revenue growth at 90 per cent—

**The Chair:** Mr Reycraft.

**Mr Haggerty:** Let him go.

**The Chair:** You did it again. I said, "Mr Haggerty, do you have a question?" and away you went. Mr Reycraft, Mr Haggerty has turned the floor over to you. Go ahead.



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**Mr Reycraft:** Is the revenue growth of 90 per cent of GDP growth based on historical revenue patterns?

**Mr Salerno:** It is based on historical, on our experience over the last four or five years. It has been as high as above 0.95 and as low as in the lower 0.8s and change. It is in that range and I believe that this year it was close to 0.9, the current year.

**Mr Haggerty:** I was looking at page 29. The deficit for 1989 has been \$600 million. You have it estimated for 1990-91 at \$900 million and then it goes on up. I was interested in the other page; I have to blame somebody for it. On page 30 it says—I will need an explanation—"However, GST is still projected to cost the province about \$750 million annually." Does that include this year or next year?

**Mr Salerno:** That is not included in there. It is just a projection on current policy as we know it.

**Mr Haggerty:** I suppose when we look at the forecast in 1990-91 or 1992 you are looking at that \$750 million that it would cost the province in the GST.

**Mr Salerno:** That would be on top of that.

**Mr Haggerty:** On top of that.

**Mr Salerno:** This is a no policy change projection.

**Mr Morin-Strom:** When you say that revenues grow at 90 per cent of GDP growth, does that mean 90 per cent of the real growth?

**Mr Salerno:** Nominal growth, and as I have said, to the extent that real growth is a higher proportion the revenue yield is higher with real growth. In other words, that 0.9, if the mix of real growth to nominal growth is higher, then it may go up to, say, 0.95. If it is significantly lower, if the growth is primarily inflation, then that 0.9 may drop to the low 0.8s, as I said was the case in the past.

**Mr Morin-Strom:** Back on chart 2, we saw that in the period 1985 to 1988 Ontario did have quite high growth, about 5.5 per cent average annual real growth, so during that period what type of growth in revenues were you getting? Can I presume from that you were getting very close to that in terms of revenues as well?

**Mr Salerno:** In 1988, which I guess was the peak of that ratio, that relationship reached about 0.97, I believe, 0.95 or 0.97. Now the mix is expected to ease off somewhat, to have more nominal growth or more inflation than real

growth, so consequently that ratio is expected to decline somewhat.

**Mr Morin-Strom:** That forecast is not based on a fixed taxation policy, I assume?

**Mr Salerno:** Yes, it is.

**Mr Morin-Strom:** How could it be when in fact the historical record was based on changing taxation policy and those historical percentages are based on what I think has been an increasing tax burden, and may be taking advantage of this strong economy to up taxes in recent years. There is no question that tax policies have changed since 1985, and if we have got a high percentage as a result, it has to be tied into what the tax policy was.

**Mr Salerno:** No. The relationship I spoke of nets out tax increases, looks at the pure growth net of the tax increases. The taxes have been added on to that. In this case we have not projected or anticipated any tax policy moves, it is just the tax policy today. We have factored in the annualization of last year's moves.

**Mr Morin-Strom:** During that period of 1985 to 1988, or up to now even, where obviously there have been a number of new taxes, the actual real growth in revenues must be higher even than this 90 per cent or whatever. It undoubtedly must be higher than the real growth in the economy. Is that right?

**Mr Salerno:** Yes, and that is one of the reasons why you have seen the deficit decrease from \$2.6 billion to \$600 million.

**Mr McCague:** I guess what you are trying to tell us here is that the Treasurer (Mr R. F. Nixon) has to increase taxes in order to keep the deficit at the present level.

**Mr Salerno:** The deficit could be kept at the present level through increased taxes or decreased expenditures or a mix of the two.

**Mr McCague:** You have in here that expenditures grew at 8.7 per cent annually, the average experienced over the past three years. That is a bit of a wild statement, is it not?

**Mr Salerno:** I do not know if it is wild.

**Mr McCague:** Your second part is true, but they do not necessarily grow at 8.7 per cent annually.

**Mr Salerno:** We just took the average of the past—

**Mr McCague:** I know what you are saying.

**Mr Salerno:** That obviously includes a number of new initiatives. We do not know to what extent that will continue. We do not know to what extent the government may change

direction and introduce greater restraints. We just took the projections as we know them now and constructed these. You are quite right that they could be wildly off. It is not a target; it is just a projection. It is just what it is under these assumptions.

**The Chair:** How can it be a projection? You have said that it is based on the average experienced over the past three years. Is it not a statement of fact if it is on the last three years?

**Mr McCague:** That part is a statement of fact, but the first part of it is what I was contesting a little bit, that they do not necessarily grow at 8.7 per cent per annum.

**The Chair:** Okay.

**Mr Morin-Strom:** I thought there was a sense in the province that one of the Treasurer's objectives was to bring the deficit down to zero and he seemed to be achieving that over the last four years. As you have said, it has gone down from over \$2 billion to \$600 million this year. I am surprised that—you are his ministry. Why are you not showing a continuation in that and showing the deficit coming down to zero, rather than escalating back up to where it started. Has the Treasurer endorsed this? Is this his policy, that he wants to see the deficit go back to \$2.4 billion?

**Mr Salerno:** No, this is not a target. It is just a projection under these assumptions so it does not reflect the government's intent—it just reflects, what if we had this type of economic growth and the revenue continued to grow at 0.9 of that growth? It is very simplistic, I agree. So that is what the projection on the revenue side is. On the expenditure side it says, what if expenditure continued to grow at the average rate of the past three years? There is nothing to say that is what will happen. We do not have directions to construct this. It is just what would happen if this is allowed to happen, so to speak.

**Mr Morin-Strom:** But you are the Ministry of Treasury and Economics and this is supposed to be a 1989 economic outlook and highlights of what the grey book is projecting for the future in Ontario. Surely whatever you put down has to be the direction the Treasurer has endorsed.

**The Chair:** You heard that he thinks it is not the direction.

**Mr Morin-Strom:** You work for the Treasurer. Can you tell us what the Treasurer wants in terms of deficit over the next three years?

**Dr Christie:** You will have to ask him.

**Mr Sweeting:** Certainly it is a question that the Treasurer himself would be happy to answer,

I am sure. The point, certainly from my perspective, of the medium-term forecast that is in the grey book was to indicate some basic realities of fiscal policy—maybe not very well—which was essentially that if you assume a no-change scenario—in other words, the government does not introduce new programs; it does not change the tax structure; it just sort of keeps the status quo moving along—the implied result is that the deficit goes up from doing that, and that is just a basic fact of fiscal policy.

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I do not say that that is going to happen but that is sort of like a starting point that one looks at. Expenditures might grow; they will grow at the rate the government determines and the Treasurer determines they should grow at. But in order to try to put some perspective on that point, an assumption was made. Simply, among any range of numbers that one could choose, let's use what spending grew at last year and the year before and the year before, the average of the three years, simply to try and document the point that, under that assumption with no change to the revenue structure, you have these kinds of impacts on the deficit.

Therefore, the Treasurer is going to have to, as Tony said, raise taxes, reduce spending or let the deficit move. That is the point that is in that basic table, but what he will actually do is a matter which you will have to ask him and he will let you know when the budget comes out.

**Mr Morin-Strom:** So this is a discussion document. The one premise I think is incorrect that you were saying was that this is based on no new programs.

**Mr Sweeting:** Yes.

**Mr Morin-Strom:** The 8.7 per cent is higher than inflation, so it must include room for what has been the average amount that has been used on these programs we have had in recent years.

**Mr Sweeting:** You are absolutely right. I am sorry. You are right.

**Mr Reycraft:** I just want to point out, Mr Chairman, that I think it is important that Mr Morin-Strom understand that this is a projection of what would happen if revenues and expenditures continue to increase at the rate they have increased for the past three years. It is not a prediction of what will happen.

**Mr McCague:** It is a prediction of how much you are going to raise taxes.

**Mr Reycraft:** Or increase the deficit or reduce programs.

**The Chair:** If you look at the mandate of this committee in the prebudget discussions, presumably this page would be fairly important to formulate our recommendations, maybe.

We will move on to everyone's favourite subject these days, the goods and services tax.

**Mr Sweeting:** We attached for the committee's consideration a page on the goods and services tax. The grey book does make reference in a couple of points to the goods and services tax. It notes the significant policy issues that are associated with the introduction of the goods and services tax. It also notes that there is a potential for a significant fiscal impact with the introduction of the goods and services tax. As Bob had indicated, it also factors into longer-term economic forecasts.

Since the release of the grey book, the federal government has made modifications to its proposals, reducing the rate from nine to seven per cent and making certain other compensating changes. The Treasurer has made a number of statements in response to that change which we felt we would bring to the attention of the committee as part of its deliberations for advising him.

The Treasurer has indicated that the lower rate of GST, the seven per cent rate, should partially deal with what would seem to be serious negative economic and fiscal implications of the earlier federal proposal, the nine per cent proposal. The inflation rate is lower and some of the other impacts are moderated somewhat.

It still remains that there is a noticeable impact from inflation in the year of introduction and if you take that through and look at the kinds of fiscal impacts that that could translate into, you are looking at a number. The Treasurer has indicated \$750 million annually could be the kind of impact that the province would find from the impact of the GST.

We are currently looking at those estimates and we may be modifying them over time as we get a chance to fully work through the seven per cent. But it remains the fact that even at seven per cent, from a provincial perspective in terms of the programs that the province operates, the taxes that it collects, there is a fairly significant impact from the introduction of the goods and services tax, and it is a negative impact.

It should be noted that even though the rate is seven per cent, that does not deal with the concern that Ontario had regarding the treatment of the municipalities, universities and colleges, schools and hospitals sector. Ontario does not feel that the partial rebate approach the federal

government has recommended, where the MUSH sector pays the tax and then the federal government will make some sort of part refund, is an appropriate way to go. The government prefers to see the MUSH sector not have to pay the goods and services tax at this point and to deal with the existing burden of the MUSH sector by some other mechanism.

Of course there remain, the Treasurer has indicated, additional concerns that still exist with respect to the GST, such as the fact that the low-income relief is partially indexed and not fully indexed. It remains the case that the GST, by the way it is constructed and by the way it brings new housing and land into the tax base, is something that is particularly onerous for Ontario and the greater Toronto area, and the Treasurer did note that as a result of the change, there is going to be significant confusion and complexity for businesses and consumers.

While the Treasurer has indicated he remains concerned and not satisfied with the seven per cent tax as being appropriate for Ontario, the reality is that the federal government will levy this tax. It has indicated it is going to levy this tax. Within the confines of that reality, Ontario will consider whether or not there are ways in which the administration can be worked out in certain areas between the two levels of government so that there is as little confusion and duplication on the taxpayers of the province as possible.

**Mr McCague:** What are the major components of the \$750-million cost?

**Mr Sweeting:** The \$750-million cost is made up of a series of things. On the revenue side, it is made up of the impact of the GST on the economy. The kinds of changes that Bob has been talking about in terms of what happens to inflation, what happens to real growth, all translate into personal income tax yields, corporate income tax yields, yields from all our various taxes; plus there is the impact that the GST will have with respect to Ontario's retail sales tax and how that is accounted for. Then there are things like, for example, the way lotteries are treated under the GST, which have a particular impact on our revenue structure.

On the spending side again, the impact of the goods and services tax on the economy and on inflation will translate into higher levels of spending for the province for the various programs and certain kinds of goods that it consumes. Treasury staff have done an estimation of putting all those impacts into the government's revenue-raising tools and spend-



ing patterns and came up with an estimate of \$750 million; \$600 million to \$1 billion, actually, is the range in which, at this point in time, the number could fall. It is not terribly precise in terms of its accuracy, given the nature of the exercise, but it is something that, barring further analysis, we think is a significant number.

**Mr McCague:** Is it a cost or is it a revenue reduction?

**Mr Sweeting:** It is some of both. It would be more on the expenditure side than it would be on the revenue side in terms of that negative impact. The bulk of it would come from spending changes.

**Mr McCague:** As you know, you can do wonders with figures, and I hope there is no wizardry in the figure that you have here, but you say it is more on the expenditure side than on the revenue side.

I think you mentioned just a minute ago that it is going to be more costly for programs. If you decided, as a government or as a Treasurer, that you were not going to fund all increases in programs out there, it probably would not cost you anything. As a matter of fact, as far as municipalities were concerned, for instance, you did not fund any inflation last year on your unconditional grants.

I hope you will pardon me for being a little sceptical about this \$750-million figure. I have a notion that it is floated out a bit, not to please anybody in particular but to awaken many in general.

**Mr Sweeting:** You are certainly correct in that assumptions were made in calculating that number. The assumption was made that the government absorbs and pays an additional amount of money because of the inflationary impact of the goods and services tax. The assumptions made in constructing the number do assume that more funding is provided to all the programs so that services will not be reduced.

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**Mr McCague:** Then after you added up your assumptions and got a cost of a billion dollars, I guess you subtracted from that the increased amount that would be raised through the retail sales tax.

**Mr Sweeting:** At seven per cent there is, for all intents and purposes, no additional money raised through retail sales tax, using the assumption we use, which is that the provincial tax is applied on top of the federal tax. That is not a

revenue generator at seven per cent; it is a break-even proposition.

**Mr Haggerty:** A surgical intervention.

**Mr McCague:** Well, yes. I am not around to protect the federal government at all, but I think you can do some things with figures here, and you talk about the fact that retail sales tax is going to be negatively affected.

**Mr Sweeting:** No, I said it was about a break-even proposition.

**Mr McCague:** I think previously, though, you said that the take from retail sales tax and income tax and corporate tax may well be affected by the GST.

**Mr Sweeting:** They will be affected. Some go up and some go down, depending upon the nature of the tax and the economic response.

**Mr McCague:** So what you are telling us in the final analysis, I think, is that the retail sales tax take is going to go down sufficient that when the seven per cent comes on and the retail sales tax comes on top of that, you are going to get the same bottom line.

**Mr Sweeting:** Yes. The retail sales tax take goes down, because part of the existing retail sales tax base is the federal sales tax. The existing current federal manufacturer sales tax generates, if I remember the number correctly, around \$600 million of our provincial RST. It is buried in the price of the goods that the RST is taxing. A substantial portion of our base, \$18 billion nationally—I do not know what the number is for Ontario—but several billion dollars of what Ontario tax is now, goes on 1 January 1991, because of the elimination of the federal sales tax.

With the replacement of the federal sales tax by the goods and services tax and the maintenance of Ontario's approach to federal tax, which we have been doing since the inception of the retail sales tax, essentially you end up with the same amount of money as you did under the previous system.

**Mr McCague:** If the economy were to produce exactly the same in the next three years as it has in the past three years, would it still cost you your \$750 million?

**Mr Sweeting:** I am not sure I quite follow.

**Mr McCague:** If the economy were to grow.

**Mr Sweeting:** In other words, if the goods and services tax had no impact? Is that what you mean?

**Mr McCague:** If the economy were to grow at 8.7 per cent in the next three years, as it has done in the past three, would—

**Mr Sweeting:** In order to answer that question, you would have to know what you were going to do anyway, and I do not know what is going to happen anyway, so I really cannot answer that particular question.

**Mr McCague:** Okay.

**Mr Haggerty:** Out of the GST, what exemptions are we talking about? Are the municipalities exempt? Are school boards and universities exempt? Are hospitals and—

**Mr Sweeting:** Under the federal proposal under the goods and services tax was the question? How are they going to be treated?

**Mr Haggerty:** What are they exempting? Does it apply to municipalities, school boards and universities?

**Mr Sweeting:** No, the federal government is proposing that the municipalities, universities, school boards and hospitals pay the goods and services tax, but the federal government has said that its intention is only to make sure that it continues to receive the amount of tax those institutions are paying now under the current federal sales tax.

They have said: "We're not going to try and get more money out of these guys, but we want to get the same amount of money as we are currently getting." So when they introduce the goods and services tax, their plan is, "All you guys pay the tax and then we will make payments back to you to make sure that the net position is such that there is no new tax money flowing from the municipalities." In principle, they have said, "What we're going to do is leave your burden where it is."

Ontario accepts that as a statement of the federal intention not to put a higher tax burden on the MUSH sector, but we question whether or not the federal approach is the appropriate way to try to make sure that the municipalities and universities, school boards and hospitals are properly treated under the goods and services tax. That means they have to come up with the money. They have to come up with tax money, pay the tax, wait and then get some of that back. From Ontario's view, the zero-rate proposal that we have proposed says a different way around that is to say, "You don't have to pay any tax at all." What will happen is that by other mechanisms, perhaps a provincial payment to the federal government, the existing federal tax receipts that it gets from its manufacturers' tax—

**Mr Haggerty:** I am puzzled. You say they may get some of it back.

**Mr Sweeting:** Yes, I said "may." They will get some of it back under the federal proposal.

**Mr Haggerty:** In other words, it is going to cost them money.

**Mr Sweeting:** It is not going to cost them any more than it costs them now, according to the federal government proposal. Just to use a simple example, if a municipality paid \$4 in federal sales tax now, and certain of its purchases are exempt and certain are not—there is a historical perspective—but essentially, assuming it paid \$4, what the federal government has said is: "When we get rid of that federal sales tax and replace it with a goods and services tax, we still want to get \$4 out of you. Now, the new goods and services tax will give you a \$10 burden, so what we are going to do is give you back \$6." That is how they propose to go about ensuring that the municipality pays \$4 and they get that \$4 every year in the future. As I was saying, Ontario says: "Okay, we understand that you want to keep getting the \$4. We've got a problem with your making them pay \$10 and then giving \$6 of it back."

**Mr Haggerty:** Of course, the province would not do that, would it?

**Mr Sweeting:** There are alternative proposals that we suggest would better meet that objective.

**The Chair:** Whose side is he on?

**Mr Reycraft:** He's one of us.

**Mr Haggerty:** I do not buy it anyway. They are going to be paying; that is what you are telling me.

**Mr Sweeting:** Yes. No more than they are now, though.

**Mr Morin-Strom:** Just following up on Mr McCague's question earlier, perhaps one might be able to answer the question as to whether that \$750 million would be valid. Looking back, if the last three years had had a goods and services tax instead of the manufacturers' sales tax, what would the cost to the Ontario government have been?

**Mr Sweeting:** That would be, I suppose, another way of doing it. We do not have the capacity to make that particular estimate. There are several different ways of trying to estimate this impact. Essentially what we have done is to take the economic implications and run those through our spending side. I do not believe that has been disaggregated into any kind of activity-by-activity impact. It is plausible to do what you are saying. We have not done it. I am not sure we are capable of doing that in any reasonable

amount of time, to go into all those expenditures and calculate what the impact would be on this particular good.

In theory that would be the ultimate way of doing what you are doing, to say, "These guys purchased this kind of stuff, and if it had been a different kind of tax, then this is what the price would have been that they paid." That is a very complicated exercise. We cannot do it. We simply went at it from a macroeconomic perspective and said, "Under our base case scenario, this would be the kind of money that was spent."

If you add to that the impacts on the economy, on inflation and that sort of thing, essentially inflation is the main factor at work here. Prices go up as a result, by 1.25 per cent or whatever the number is, 1.5 per cent. It was 3.2 per cent under the nine per cent scenario. You feed that through and you find out what happens to your existing level of expenditures. It assumes that you do not change your spending patterns and responses. It just says all of a sudden you just spend more money than you did before. How much is that? That is the question that went through.

There are lots more sophisticated ways to do it, but nothing that would be conceivable within the kind of time frame for analysis that we have been looking at and continue to look at. There is nothing wrong with the way we have done it. It is not inferior, it is just a different way of getting at the same number.

**Mr Morin-Strom:** Would the kind of tax it was make any distinction?

**Mr Sweeting:** No.

**Mr Morin-Strom:** You are looking at just the gross amount of what that tax will collect, I guess. But had it been an increase on income taxes or excise taxes or another area of taxes, would it have made a difference?

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**Mr Sweeting:** I do not think so, because I believe our analysis simply went at it from the point of view of basically what happened, what kind of price changes take place and how that impacts on our spending. In other words, you have to back labour out because it is not affected. You go strictly at the purchases. There is some sophistication to what was done but nothing along the lines of what you suggest might be the ultimate way to try to get an answer to that number.

It is tough and you have to make assumptions. What is going to happen to business? Is business going to pass on tax savings when you take the

federal sales tax out and put the GST in? There is a whole array of assumptions economists look at and say, "What is going to happen with this?" We have taken an approach from our perspective, made certain assumptions and generated the number of \$750 million.

**Mr Morin-Strom:** One of the areas where this tax is supposed to really be targeted is trade. It is supposed to provide a tremendous advantage for exports because there is no tax on exports and put import at a big disadvantage because purchasers of goods are going to have to pay the full tax on all imports. Have you done that analysis as to what impact it has on the trade picture, since it is so targeted at that?

**Mr Sweeting:** Are you referring to the tax overall?

**Mr Morin-Strom:** Yes, on Ontario's international trade picture.

**Dr Christie:** We had originally, in the grey book, talked a little bit about what the outlook would be on the basis of a nine per cent GST. There were comments in there to the effect that there would be some moderate improvement on the export side but that some of that balance, some of that benefit, would be offset by the induced inflation at the nine per cent level. When the federal government reduced the rate from nine per cent to seven per cent, the benefit for exporting stayed and the impact on inflation went down, so that offsetting effect would now not be quite as strong. That is the answer directionally.

The answer quantitatively is we have not redone the export side at seven per cent. We looked at it at nine per cent. Directionally, the nine per cent answer in the grey book is still valid except that the inflation offset is now more moderate.

**Mr Morin-Strom:** One of the subjects I do not think you have had a chart on today in fact is Ontario's international trade picture, exports versus imports. I remember this committee spent a lot of time throughout the whole free trade debate hearing submission after submission on what the impact of free trade was going to be on the trade picture. Certainly we had lots of evidence that Ontario was at a tremendous, great advantage, exports far exceeding imports historically. I wonder if you could provide us with some figures as to what has happened with that trade balance, particularly in 1989, and then what your projections are for the future.

**Dr Christie:** There is information in the grey book, on page 12, which was not in the slides that we gave out today. At the top of page 12 in the



grey book there is a table on Ontario's real external trade.

**Mr Morin-Strom:** Those are percentages; I am talking actual dollar exports and imports.

**Dr Christie:** If it will answer your question, we will provide the dollar numbers underlying this table.

**Mr Morin-Strom:** I think that would be helpful. In fact, I think it would be helpful if we had the import and export total figures for the last few years and then for your projections, and as well for the auto industry. It seems to me that historically the auto industry has comprised—I do not know the total figure—maybe 50 per cent of our total trade with the United States in Ontario. It is so critical a component.

You have some interesting forecasts in terms of the auto industry having slowed down last year, not looking too good this year, but for the following three years you are showing quite strong real growth in auto, which would imply

that you are looking at some. While I suspect the trade imbalance has gone down quite considerably in that auto component last year and this year, you are forecasting some tremendous rebound in the following three years. I think it would be quite interesting to see what trade balances you are showing, in total and then specifically on the auto industry.

**The Chair:** There are no other questions. Is there anything else, Dr Christie, that you wish to present to the committee at this time?

**Dr Christie:** No, sir.

**The Chair:** Thank you and your staff very much for a very informative presentation.

This committee meets again tomorrow morning for presentations by groups at 10 am. Is there anything else to come before the chair? The meeting is adjourned.

The committee adjourned at 1706.

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Christie, Dr Robert D., Assistant Deputy Minister and Chief Economist, Office of Economic Policy

Salerno, Tony, Director, Fiscal Planning Policy Branch; Acting Assistant Deputy Minister,

Office of the Budget and Intergovernmental Finance

Whitehead, John, Economist, Personal and Commodity Taxes

Sweeting, Tom, Director, Taxation Policy Branch

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# Hansard

## Official Report of Debates

### Legislative Assembly of Ontario

**Standing Committee on Finance and Economic Affairs**  
Prebudget Consultation



**Second Session, 34th Parliament**  
Tuesday 16 January 1990

Speaker: Honourable Hugh A. Edighoffer  
Clerk of the House: Claude L. DesRosiers

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Because all committee sittings now are being formally printed, separate subscriptions are required for sittings of the House and sittings of the committees. Separate indexes also will be published for the House and the committees. Effective the end of 1989, they will be on a calendar-year basis, not sessional as at present. Page and sitting numbers now run from the beginning of the year rather than the session as before.

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

**Tuesday 16 January 1990**

The committee met at 1013 in room 228.

### PREBUDGET CONSULTATION (continued)

**The Chair:** I would like to call to order the meeting of the standing committee on finance and economic affairs. This morning we begin our public consultation and presentations from a number of groups.

Our first group is the Ontario Confederation of University Faculty Associations. Professor Bill Graham and the executive director, Marian Perrin, welcome. Nice to have you with us this morning. We would invite you to walk us through the brief that you have so kindly presented, and I am sure then there will be questions by members to you.

### ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

**Mr Graham:** I want to thank you for the invitation to appear before the committee. Our brief is not too long, so we would like to read it into the record, if that meets your approval.

As the committee is probably aware, the Ontario Confederation of University Faculty Associations represents some 12,000 members of the teaching, research and professional library staff of all of the Ontario degree-granting institutions. We are the provincial voice of Ontario's academic staff. Our mandate is to express the views of our members to government and to the public, to seek and maintain the quality of higher education in Ontario and to advance the professional and economic interests of university faculty and librarians in Ontario.

In this capacity, we have long deplored the deleterious effects on the province's universities of years of systematic underfunding. We are now, and have been for some time, experiencing increasing student-faculty ratios, accompanied by a decline in assistance to faculty by graduate assistants and by support and technical staff. Since 1971 the average wage in Canada has increased by 10 per cent in real terms. In that same period the salaries of Ontario faculty members have lost approximately 25 per cent of their purchasing power.

Library holdings have been severely cut back. Between 1977-78 and 1987-88, for example,

total library expenditures in constant dollars per full-time equivalent enrolment in Ontario universities have declined by 11.4 per cent. This translates into a lack of access to materials vital to both the teaching and research enterprise. Faculty are asked regularly to which journals the library should stop subscribing. The physical plants housing our universities continue to deteriorate. In all these ways the quality of life in universities is declining.

OCUFA has emphasized the need to remedy the negative effects of underfunding by increasing base funding to universities. In most cases this is far more effective than the introduction of special envelopes or other targeted funding. There is now a problem, however, that is so acute and so important that it has convinced us that targeted funding is absolutely necessary. There is an urgent need for faculty growth.

The prognosis for the future with respect to the number of faculty is grim. The most recent projections suggest that due to retirements and other factors, one third of the university faculty in Canada will need to be replaced beginning by the mid-1990s. Although figures for Ontario are not available, there is no reason to believe that the proportion will be any less in this province. It may even very well be greater.

At the same time, the international labour market for academics will be such that other countries from which Canada has recruited faculty in the past, the United States and Britain, will also be experiencing shortages. A recent study by William G. Bowen and Julie Ann Sosa on the prospects for faculty in the arts and sciences in the United States predicts dramatic changes in the US job market. By 1997 there will be roughly four candidates for every five job openings in the universities.

These Canadian and American projections address the issue of need in both the sciences and the arts. Much attention has been paid to the need to train scientists. Far less has been paid to the areas, such as the humanities and social sciences, in which shortages of this magnitude will also exist.

What would it mean to allow such a shortage of faculty to occur? The effects would be drastic. The quality of teaching could not be maintained with the increase in already high student-faculty

ratios. One obvious solution would be to dramatically cut access to the universities by limiting enrolments in all of the universities or, a more drastic solution, by closing universities.

The loss to research, both basic and applied, and to other forms of scholarly endeavour would be incalculable. We could no longer count on Canada to be a player in the international world of ideas and knowledge. Universities would not be able to serve as community resources and guardians of our intellectual heritage. The contributions made by Canadian universities in so many ways to local, national and international economies would be reduced or would disappear entirely.

What then can be done about such shortages? OCUFA has been arguing for some time that an additional 1,500 faculty positions are urgently needed in the Ontario system. More recent evidence, mentioned above, suggests that the need will be far greater in the next five to 10 years. To date, there is no evidence that additional hiring is occurring. The Bovey commission recommended that 550 new positions be created. This was followed by an introduction of the faculty renewal fund, which was to create 500 positions over five years for new faculty, especially women, to be hired into tenure-stream appointments. It is now clear that hiring under this fund renews only by replacement rather than by addition. It was not the intent behind the fund to alleviate the pressures on the quality of teaching and learning stemming from increased student-faculty ratios.

What is clearly needed is faculty growth, that is, an increase in the number of tenure-stream positions in the system as a whole. Faculty growth has two components: first, it requires replacement of those faculty who leave and, second, it requires the creation of additional new positions to improve undesirably high student-faculty ratios and to increase the contribution of Ontario's universities to the creation and dissemination of new knowledge.

Who will be the faculty of tomorrow? The answer to that question is far from clear. We suspect that tomorrow's faculty will have to come from a number of sources. They must come from those students who have not yet entered university, but for whom special incentives must be created to entice them into academic life. They must come from those students who are already in the system by providing incentives for them to stay. They must come from those students who complete their terminal degrees and can be convinced to embark on academic careers.

Such careers, in order to be considered attractive to graduates, must be made more financially competitive with others in the marketplace. They must come from those who, having attained all the appropriate credentials, left the academy for better-paid careers in government and industry. Finally, they must come from those who are currently members of the lost generation of scholars, that large reserve army of highly qualified labour in Canada who currently hold part-time or contractually limited appointments not by choice but by necessity. This necessity has been brought on by continued underfunding that has severely curtailed the hiring of tenure-stream faculty. Many of these scholars have active and extensive teaching, research and scholarly credentials.

All these potential faculty members will enjoy a seller's market, and Ontario universities must be ready and able to compete for their services. If Ontario academic salaries and other amenities are not made more attractive, our best-qualified graduates will be hired by United States universities who will themselves be facing such shortages. If Ontario universities do not make permanent places for their lost generation of scholars, these will be bought up by US universities. This critical shortage of faculty will be taking place within a milieu characterized by a high degree of competitiveness from the US and from the private sector. It is vital that we ensure the ability of Ontario universities to accommodate their student populations and maintain the highest educational standards.

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The massive staffing necessary for the universities may provide an opportunity to implement other social priorities as well, in particular educational and employment equity for designated groups in our society. These groups would benefit from the opportunity for education and employment in our universities, the universities would benefit from the enrichment brought to them by such diversity, and we would all benefit from the improved knowledge produced by our universities.

A variety of actions of the government of Ontario indicate that it too values diversity. Last year's conference, Planning for Diversity, addressed questions about employment equity in the post-secondary sector for women, visible minorities, native persons, the disabled and francophones. Subsequently, OCUFA made a submission to the Minister of Citizenship, at his invitation, on employment equity in universities for all target groups. There have been a number



of documents prepared by the Ministry of Colleges and Universities and the Ontario Council on University Affairs on access to universities by disabled persons. All this suggests that the government of Ontario desires a diverse university system, open to all those who have been underrepresented in the past.

Many of the lost generation of scholars are women, and though figures are not available, there is reason to believe that many are also members of minority groups. The current policy of both levels of government is to encourage employment equity for women, visible minorities, native peoples and the disabled in our universities. It is to be hoped that the acute problem of the projected faculty shortage will at least provide an opportunity for some of these scholars to move into tenure-stream positions.

The foregoing are suggestions of ways to alleviate shortages of faculty. There are undoubtedly other ways. OCUFA has pointed to the need for faculty growth. Growth must be financed, and OCUFA is on record as suggesting the creation of a faculty growth fund. Such a fund, however, need not be devoted entirely to the creation of faculty positions. There is a need to increase the supply of qualified individuals available to take up those positions. Some funds might be allocated to outreach programs and to scholarships to bring students into the system and to retain those already in the process of attaining their qualifications.

The solution to the problem of how to deal with the shortage of faculty combined with a potential shortage in the supply of faculty is far from clear. The problem needs to be co-operatively and collectively addressed, and solutions sought by all those involved in the enterprise of faculty staffing.

To that end, OCUFA proposes the creation and funding of a special committee on faculty staffing in the 1990s. This committee should be a high-level committee, capable of effectively addressing the problem of faculty shortages. It should consist of prominent representatives from each of the major university constituencies: OCUFA, the Council of Ontario Universities, the Canadian Union of Educational Workers, the Ontario Federation of Students, the graduate students, OCUA and MCU. It might also include a select number of members of the public who have a broad interest in university education.

This committee would have a mandate to study and make recommendations about ways to alleviate further faculty shortages. Given the seriousness of the problem and the very long lead

time necessary to plan for and train future faculty, this committee must complete its work with great dispatch in, say, six months. It should have the funding necessary to enable it to commission expert studies as needed and to defray the expenses of those attending its meetings.

It will take much co-operation and goodwill among all of us to deal with the future academic staffing requirements of Ontario universities. In the course of so doing, however, we must not lose sight of the other requirements needed to maintain the quality of Ontario's universities. It is not sufficient to fund faculty hiring if there are not adequate funds to provide salaries, benefits and amenities to make our universities competitive; if there are not adequate funds to hire administrators and support staff; if there are not adequate funds to maintain, renew and augment libraries and equipment vital for teaching and research, or if there are not adequate funds to repair and rebuild deteriorating physical plants.

The need for adequate base funding continues. The eight per cent increase of the university funding recently announced by the government is insufficient to prevent an inevitable decline in the quality of education. When targeted funds are factored out and the cost of such compulsory programs as the employer health levy and pay equity are accounted for, the real increase in base funding is in the area of only 1.9 to 2.7 per cent. This amount is well behind the rate of inflation and represents a decrease in real funding from previous years.

We cannot afford to let our universities continue their slide into mediocrity. If we wish to compete effectively in the new global economy, we must act now to ensure that Ontario builds and maintains a world-class system of higher education.

**Mr Reycraft:** On the first page of the presentation that you read into the record—I am sorry, it is on the very first page, the executive summary—you talked about the problem with teachers leaving due to compulsory retirement and other reasons. Do you have any breakdown on the two different categories?

**Mr Graham:** No, we do not have that kind of hard data, and that is why we are calling for a special committee on staffing to provide us with that kind of hard data. We know the overall figures and we know the figures that have been generated in the United States, which has been able to develop much harder data than we have in Canada, but this is one of the reasons we need a

study now, before the 11th hour arrives. We are almost at the 11th hour.

**Mr Reycraft:** Is there any sense now that we are losing professors to the United States?

**Mr Graham:** Yes, there is. We are losing some of our best and most dynamic young people to the United States. I know of several people in my own university who were bought up, in one case by the University of Massachusetts and in another case by the University of California. These are some of the most talented young people that we have, and people who are not about to retire but, on the contrary, people who are at the beginnings of their career. That is a frightening prospect. We may be losing, if we do not do something, a generation of our best scholars.

**Mr Reycraft:** Is it fair to say that of the professors that we are losing, most of them tend to be younger professors?

**Mr Graham:** That is true, generally speaking. There are other cases of people who have achieved a high international reputation here in Canada and then become quite attractive to other educational enterprises and domains.

**Mr Reycraft:** My other question, if I may, Mr Chairman, dealt with the statement made in the second last page, page 9 of your presentation. Can you tell me how you came up with the 1.9 to 2.7 per cent of real increase?

**Mr Graham:** This is an estimate based on the effects that the recent funding announcement has had on universities across the province. It affects them in various ways because, as you know, a large chunk of the funding in Ontario is targeted funding. There are funds for northern universities, funds for francophone universities, a special fund for Trent University and other things, so that some of the universities will get certain envelopes attached to their basic funding and others will not. So there is a spread. The University of Toronto, for instance, estimated that its base funding was in the area of 2.2 per cent, somewhere in the middle. Our indication is that the spread is somewhere around 1.9 to 2.7 per cent depending on the particular university.

But the important thing to note is that these very desirable social programs, the health levy and pay equity, which we are all in favour of, were not funded along with the funding announcement. That is, the universities were not given extra funds to pay for these very costly programs, and these programs range in the area between one and over two per cent in each case. They are very desirable, but so far there has not been any extra

help, so it has to come out of base funding for these social programs. That means it comes out of the teaching budgets.

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**Mr Reycraft:** But the maximum impact of the employer health tax, even if universities were not paying any OHIP premiums for their professors now, would be 1.95 per cent. Do you know what the number is for pay equity?

**Mr Graham:** Universities were required to pay at least one per cent for pay equity. I think the results of those universities which have posted their pay equity plans show that they have tried to do a pretty good job in meeting the legislation. This is going to require them to come up, over the next five years, with a substantial amount of money. That is, I think, quite desirable. The problem is that if they are not given some kind of additional help to meet this problem, that money will come out of the teaching budget.

**The Chair:** I should tell members that the McMaster student union is unable to be here this morning, so we do have some flexibility with our time. I think there are a number of questioners on this deputation, so I will extend the time.

**Mr Morin-Strom:** Thank you for your presentation. We have heard similar expressions of concern from your faculty association for at least three years in a row now. I note that you use one of the famous buzzwords of the Premier (Mr Peterson) in your concluding sentence with regard to building a world-class system. Certainly, the presentations in the last few years have expressed very serious concern about what direction we are going with our universities in the province. Have you seen any signs of progress towards the development of a world-class system?

**Mr Graham:** No. Unfortunately, the opposite seems to be true. There is no question that if you ask any faculty member or any university administrator across this province what the present status of universities is, they will tell you that it is a declining system. It is declining in its quality. It is declining in its ability to do research. It is declining in its ability to teach students and give them the very best kind of training. It is declining in its ability to attract the very best young scholars to be university faculty members.

**Mr Morin-Strom:** I wonder if we could get some comments on perhaps the one flagship announcement that the government has had with regard to university funding in recent years, and that has been their centres of excellence program, which certainly they have touted heavily, and I



guess there are dollars involved. But I have some sense that in fact the best that program is doing is maintaining a limited number of departments in selected universities with a reasonable level perhaps of research funding, and in fact the rest of the system is being starved in terms of research funding. Do you have an assessment of that program and research funding in general from this government?

**Mr Graham:** I think that is pretty accurate. Universities certainly appreciate any amount of funding for research. Even if it comes in packages for particular purposes, that is something universities are going to try to take advantage of.

There are a lot of problems. It does not do very much for basic research from which these more applicable types of enterprises arise generally. It will help certain designated professors and laboratories and some programs, as you mentioned, some departments. Generally speaking, it does not do much to assist the younger scholars, however, because most of the people who are involved in the competitions—and there are very heavy competitions for these funds—are well-established scholars who have a high rate of publication, a high rate of success in their particular scientific disciplines. The younger people who are trying to establish themselves do not have the kinds of credentials, in general, to compete for these funds, and the competition is quite fierce. So here again the generation of scholars who we hope will be the core of the faculty of the future are not being particularly helped. We are not complaining about the existence of those centres of excellence, but the problem is that it tends to focus on a small area of university life and does not really affect the larger populace and does not really change the picture overall.

**Mr Morin-Strom:** Finally, I would like to just ask a question about a major tradeoff with regard to university faculties, and that is between the teaching side and the research side of the job. In fact, I think normally it should not be a tradeoff. They should be complementary and going together, and the two aspects make for the best possible professor, I would think.

I am concerned that perhaps we are getting more and more pressures because of the student-faculty ratios and the lack of support, especially for basic research; that the complementary research that should go along with that teaching load is not being supported in Ontario. I wonder if you could talk about those two aspects of the job and what direction we may be going.

**Mr Graham:** Yes. Of course, the major funding sources for research do not come directly through the province but come through the federal granting agencies, Natural Science and Engineering Research Council, Social Sciences and Humanities Research Council and Medical Research Council of Canada. We would certainly be quite happy about the province's intervention to the federal government to restore and increase the funding to those granting institutions. It is very, very important that those institutions be beefed up to provide funds for research.

To get to the other side of the question, unfortunately, I think that not only is research suffering but also teaching is suffering. Because of the very nature of universities and, as you say, the desirability of maintaining both the teaching and the research complement in individual faculty careers, the pressures on research and the lack of funding for research have required people to spend more time in fact on research than they do on teaching. If they want to maintain their positions in universities, they simply have to publish, as we know, and the loser overall in universities has been teaching, undergraduate teaching especially.

That is also shown in the fact that since budgets have been cut, some of the universities which had teaching-learning units, that is, units in the universities to try to help professors to teach more effectively, have had to cut them. These are things that have gone by the boards in a number of universities. You might get a different answer from different university professors, but from what I hear and my own experience tells me, what is really suffering, in my opinion, is the quality of undergraduate instruction.

**Mr McCague:** You have two recommendations really. The one about a committee on faculty shortages. I would have thought the committee could be a little more effective if it was represented by people outside the university community with a definite interest in there.

You say that it might also include a slight number of outsiders. Sometimes outsiders give a more objective and a more listened-to opinion on these matters than an inside committee does. Do you have any comment on that?

**Mr Graham:** That is why we have suggested this. We would quite happily welcome the existence on such a committee of people who were known to be interested in higher education and who had a good voice in the community and were able to take the report of this committee to the general public. I think you are quite right.



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**Mr McCague:** It would seem like a major study and that it should have a lot of major players on it in order to get the ear of those you want to get.

**Mr Graham:** That is right.

**Mr McLean:** Could I have a supplementary on that very point?

**The Vice-Chair:** Yes.

**Mr McLean:** I was wondering, if you were on that committee, whether you would extend it probably to have a broader, in-depth look at management of university staff, such as the case we were seeing in Guelph with the incident that happened there. I am wondering if a look at how the professors are hired and paid and how the staff is hired and paid—an in-depth study overall for further staff but also on the ability of what the staff does, or do you think that would be part of it?

**Mr Graham:** To a certain extent, I think the management of faculty resources would be a part of the study. I do not think anything would rule some aspects of that out of the study. Certainly the steering committee would want to set up particular research groups or teams to look at various aspects of the problem.

**Mr Daigeler:** First of all, Professor Graham, I think I would have to take serious issue with your statement that we have been seeing continuing deterioration in the university system. Certainly in the Ottawa area, where I come from, both universities are presently involved in the biggest capital expansion program they have ever seen. The comments I am receiving from university officials are that certainly they are quite thankful for these efforts that have been made. That is not to say that there are not problems, and I do not want to deny these, but simply to make a statement that everything is going down the drain, I think that is a bit unfair and exaggerated.

However, my main point is that I am confused as to the priority message you want to leave with us. On the one hand, you are saying—and I appreciate your bringing that to our attention because I do agree it is a serious problem—that in 10 years we will not be able to fill the existing faculty positions and, on the other hand, you are asking us to create an additional 1,500 positions. If we create another 1,500, we would only be in an even bigger problem, it would seem to me, 10 years down the road. Where is it really that we should get going on preparing now for the retirements or creating even more positions and

then facing an even bleaker future in 10 or 15 years?

**Mr Graham:** The one proposal we have made, which is a historic proposal of ours and we have made this for the last several years, is for a faculty growth fund. That fund is simply necessary to meet the existing demand because of the enlarged enrolment. The accessibility program of the Liberal government has brought more students into the university sector and at the same time we have not had a corresponding growth in faculty. The faculty renewal fund has simply replaced some of the existing people who have retired, died or left the system for other purposes. The faculty growth fund is something that we are saying is a necessity to simply meet the existing need to complement the enlarged enrolment of students in the university sector. That complements, as far as we are concerned, the other question.

The other suggestion we are making for a special committee on faculty staffing is a study of how to meet what we know is going to be a great shortage in the next decade for university faculty. How can we do this? How can we plan for it instead of simply letting the thing happen and then scurrying about and trying to put Band-Aids on the system? Let's get a select committee, a steering committee, a high-level committee together which will look at the problem and ask: "What are the resources that we need across the province? What kinds of staffing levels are we talking about? Starting now, how can we best plan for that complement level?"

So there are the two quite different kinds of proposals, but they are, as far as I can see, quite complementary. In the case of the universities in the Ottawa area, Carleton University has, for example, been building at a rather furious rate recently. That is very good from the capital point of view, but what you do with what goes into those buildings is the question that we are addressing in this particular brief. We are pouring students into the buildings, but we are concerned with the quality of education that is coming out at the other end. We want to make sure that we have the best-qualified faculty possible to teach these students and also to carry on the research that is necessary for the economic development and the future manpower needs of this province.

Maybe I could make one comment there: Even Carleton has been asked in the past couple of weeks to absorb a one per cent cutback this year and a one per cent cutback next year. All of the disciplines have been asked to absorb these

cutbacks. We know this is taking place across the province, between a one and a two per cent cutback each year for the next five or six years.

**Mr Haggerty:** I share your concerns on page 5 of your submission. It deals with the lost generation of scholars, and the best-qualified graduates will be hired by United States universities. Your comments lead me back to the early sixties, when we had a shortfall of qualified faculty members. Back then, I think the federal government was off searching all over, you might say, to bring in professors to teach at our universities. We saw the growth in the universities in the 1960s. You have indicated in here that perhaps we are going back to that day. I am concerned about your comments about the faculty members leaving universities here in Canada and heading to the United States for employment opportunities at other universities. What numbers are we talking about? Do you have any numbers that will support your viewpoints expressed on page 5?

**Mr Graham:** We know that it is occurring; the exact numbers we do not know. That is why one of the purposes of the special committee to study faculty shortages would certainly be to address that particular issue. We do know it is occurring. I know of young colleagues of my own who have been attracted away for this particular purpose. I think any faculty member in the universities can give you examples of that.

We also know of the inability to attract certain high-level, very highly qualified young professors. One example: The faculty of engineering at the University of Toronto recently tried to recruit a woman professor of engineering and was not able to do so. This was a highly desirable appointment from several points of view. They were not able to do so because they were not able to offer a salary that would allow that person to live in the city of Toronto in such a way as she could live in the place where she was actually given counteroffers. There are these difficulties.

Returning to the 1960s? Yes, there is an element of that. However, there is a difference. In the 1960s we did have access to academics from Britain and we had access to academics from the United States. Many of the social science faculties were developed in the 1960s from people coming from the United States and Britain especially. Those were the departments that were growing in the 1960s in particular ways.

Now the problem is that Britain and the United States are facing in the 1990s the same problem we are, so the problem is more acute. We cannot

simply say, "We'll go to Britain or we'll go to the United States and we'll hire people to come and teach." There were of course other social problems that then arose, as you remember, out of the 1960s about Canadianization or Americanization of Canadian universities and that sort of thing.

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**Mr Haggerty:** I remember the comment of the Secretary of State at the time.

**Mr Graham:** Yes. We are facing a host of problems and what we would like the government to take seriously is a high-level steering committee that would look at this problem and ask: "What is it we need to manage this problem? What is it we need to address this problem that is coming up?"

**Mr Haggerty:** The reason I raised that question is that I have a nephew who left the University of Western Ontario and headed down to the United States, to one of the larger universities, Penn State, and he is now teaching there. I thought perhaps I would have an opportunity to discuss it with him this past Christmas, but I did not get to see him.

You said research is suffering. In what particular areas of research are we suffering? Is this in medical research or engineering research or—

**Mr Graham:** We are suffering from a lack of research funding across all the areas. The primary sources for university research funding come from the federal government. It comes from the National Research Council, the Natural Sciences and Engineering Research Council and the Social Sciences and Humanities Research Council, the federal granting agencies.

Those have been cut back by the Mulroney government, even though a special commission that was appointed by the Prime Minister, the Lortie committee, recommended growth in those areas. That growth has not been forthcoming, so anything that the provincial government could do—I know the Premier (Mr Peterson) has spoken on this issue and we are very grateful for that, highly approve of that and hope that this government also goes forward to the federal government and stresses the need for increased research funding.

**The Chair:** A final, very brief question by Ms Hošek. Then we should move to our next group.

**Ms Hošek:** Perhaps I am one of the refugees you were describing. You said you think you need more than 1,500 people in the system right now. Are you suggesting, from what I have read

in the paper and what I have heard you say, that if we get 1,500 people in the system now, leaving aside the question of what we are going to need for the future, we are more likely to ensure that the staff will be present in this time of the greater pinch down the road as people start to retire? Is that the argument you are making?

**Mr Graham:** No.

**Ms Hošek:** Are you making the argument that we are simply understaffed now and keeping that separate?

**Mr Graham:** We are making that argument, that we are now understaffed, that we need 1,500 people to address the understaffing problem at the present time. This will be only a portion of the people who will be needed in the future because of the retirements that are coming up.

**The Chair:** Thank you, and to your executive director, for coming this morning. We appreciate the brief and we will certainly take it into consideration when we write our report.

Our next presenter is from the town of Southampton, a town councillor, Norm Gurr. I believe members should have copies of Mr Gurr's presentation distributed. Welcome this morning. It is nice to have you with us. Begin whenever you are ready. By the way, thanks for waiting. We know that we are about 25 minutes late getting to you.

#### NORM GURR

**Mr Gurr:** I am surprised, considering our council, that you are this far ahead. I think it is wonderful that you can come here and express views. I think it is marvellous, when we see what is happening in Europe, now that we have this freedom in Canada to express your opinion.

Initially, I was going to make a presentation on the part of the town of Southampton council, but last year, surprisingly, the little town of Southampton had approximately 175 meetings, for which I might add we were paid about \$4,000. With Christmas coming on it was just felt we did not really have the time to have any more meetings to prepare a brief. So while I do not pretend to speak for the council, and I am sure some will disagree with what I have to say, I think I do speak for quite a number of people.

My name is Norm Gurr. I was a school principal here in Toronto for quite a number of years. I served in an inner-city school for several years and I know the population of Toronto and the needs of Toronto. I retired two years ago, went to Southampton and became a member of the council there. I retired up there from Toronto.

What I have done is taken the budget for Ontario in 1959 and tried to compare it to the budget in 1989. As you see on the piece of paper here, there is the list of the various departments you spend money on. The first column is what you spent in 1959, the second column of numbers is what you spent in 1989 and the final one, where it has been possible for me to make some kind of correlation, is the increase that you have spent on each one of these departments.

I chose 1959 because that was a great year. I had been a high school dropout. I was a house painter and I decided to turn my life around. I had gone back to night school at the University of Toronto night after night. I had two children and very little money. I lived in two rooms and decided it was about time to turn my life around.

In 1959, people, what you were doing was building—I was listening to the fellow just before me—universities all over this province. All sorts of stuff was going on at the University of Toronto. You were building community colleges. God knows the number of schools you put up here in Toronto. You got rid of the red schoolhouses and you centralized all of the county schools. You were building highways and you were building subways. That is what your priorities were in 1959. I would like to find out what your priorities are right now and I would like to do some commenting on what is happening and what is causing this.

There is a second column there where I have shown the percentage you spent on certain items in your budget in 1959 and compared them to 1989. What you see is a massive growth in expenditure well beyond the cost of living and the economic growth during the 30 years. From 1959 to 1989 the Ontario government's spending went from \$699 million to \$41.29 billion. In other words, the province is spending today 59 times more than it did 30 years ago. By comparison, the town of Southampton raised \$57,919 in taxes in 1959 and this past year we raised \$1,161,646 in taxes, which is an increase of 20 times. I dare say I do not know of anybody in Ontario whose wages have been raised 59 times.

What you see in the charts is a very large taking of people's money, through income taxes, retail sales taxes, gasoline taxes. I have just been to the United States and gas down there is 90 cents a gallon. It is about \$2 and something a gallon here. They do not tax it down there as they do here.

**Mr McLean:** It has gone up.



**Mr Gurr:** Has it? It is still a lot cheaper.

There is a variety of other hidden taxes far beyond the percentage growth in the population's income. What you see is a great deal of living beyond the means, especially in recent years, called government borrowing. The cost of paying this debt has increased 113 times during those 30 years to \$4 billion, which means that over 10 per cent of what we now pay in taxes goes to pay only interest on the borrowing. All this has happened in the time of the greatest prosperity this province has ever known.

What you see is a massive growth in health care, which still sees shortages and problems. Health care has risen 163 times to \$14 billion and takes up 33.7 per cent of the budget. Why? I would suggest there are two reasons, and there probably are a lot more. First of all, it is free. If you go to university and take economics, the first law of economics says the lower the price the more the demand. I am suggesting to you that if you offered people free Cadillacs, I do not think you would see General Motors laying off its workers now.

#### 1100

People should never be denied needed health care; however, medicare should have a reasonable user fee or deductibility to discourage frivolous visits to the doctor and also unnecessary procedures, which I think are happening out there a great deal. In other words, if you have to pay you are going to question what the doctor wants you to do, but they do not know that here because the fact is that there is little supervision of health care in Ontario.

When was the last time you ever knew what your doctor charged for what she or he did for you? Billings should go through the patient to OHIP as a check against error and the possibility of cheating. What would happen if you guys said tomorrow: "Okay, all the groceries in Ontario are free. Just go to the store and take what you want and then you say to the grocery store, send us the bill"? That is what you are doing in health care, and you wonder why you have a problem. You are confusing social welfare with the health system. You should not be. You should be doing it another way.

What you see in this time of great prosperity is 111 times more being spent on welfare. That is a doubling of welfare payments to 12 per cent of the budget. What is happening to our society to cause this? I suggest from my experience as a school principal that it is because of an increase in alcoholism, drug addiction, school dropouts who cannot get a job, family breakup, and single

mothers abandoned by fathers having to turn to welfare. I also think it is probably too easy to get on welfare, from my experience as a school principal.

I certainly believe that you should help those people who cannot help themselves and I think you should help them a lot better than you are right now, but there must be more accountability from those getting welfare who can make a contribution to society. What are they doing to help themselves? Are they really seeking a job? Are they willing to try to keep a job? Are they trying to upgrade their education and skills? Are they willing to volunteer to help out in society?

When you receive money from your employment, your boss lays down many requirements and expectations. Similarly, I think it is reasonable for the government to lay down requirements and expectations when social assistance is provided.

We need to get rid of this idea that welfare is a right. What is right is responsibility for your own lot in life and that is what government should be promoting. The government should be creating programs both in our schools and society at large that prevent the circumstances that lead to the need for welfare. The government should have programs that provide the requirement, the encouragement and the means of getting people to be more productive members of society. Each recipient should be on a required program designed to assist in creating a more self-sufficient and contributing member of society.

I think I would have been behind them screaming and yelling with great approval if they had said, "Let's use that money not to feed the poor, not to provide housing, but to provide the means to help these people to support themselves." I would have been very pleased if they had said, "We have a plan that is going to help to do this." There is an old expression: "Don't feed somebody. Teach him how to fish." I do not know if you remember that expression from years ago. It has gone out of date lately.

Within all of the department names and dollar figures there are many new programs. I would cite two examples of unnecessary spending from my own experience as a school principal.

About 20 years ago I set up an after-school language and cultural programs for new Canadian children in my school. New Canadian volunteers gladly taught the lessons and the expenses were covered from various donations. The parents were delighted. They thought I was a hero. The government then came along and mandated an expensive, tax-paid heritage lan-

guage program which replaced it. Surprisingly enough, we were forced to pay somebody to do it but many of my parents came in and volunteered and helped out still.

In a similar vein, about 20 years ago I set up a lunch program at a price of \$2 per week for the children in my school. The fee was sufficient to subsidize families that could not afford to pay. A few years later the province mandated schools to provide free lunch supervision. The result was that not just the children of working parents stayed for lunch, but almost all the children attended the program whether they needed it or not, because it was free. Today it is costing the taxpayer as much for lunch supervision in my last school as it does for supplies to teach the children in that school. We were told we could not do it for free. We had to hire people and pay them. So money was taken from badly needed supplies. That actually happened. They cut our budget for supplies when that happened.

Today health, public debt and welfare take up over one half—that is, 56.1 per cent—of the expenditures of this province. What is the result of this? What you see, if you check the percentage, is a fall in police protection, courts and jails. What you see is a drop in provincial education expenditures from 29 per cent to 19.8 per cent of the budget, and of course that drop is reflected in the increase in the local real estate tax bill because the local municipalities must now pick up the costs of the lesser grants for new schools and operating costs.

In addition, the province has mandated many new programs and procedures that are more costly because of equipment such as computers, smaller class sizes and more highly trained teachers. The province now has mandated full-time kindergarten and junior kindergarten, which will require a considerable increase in new facilities and staffing. Last year in Bruce county the education taxes rose by about 18 per cent. The future looks very bleak because they are talking about at least that this coming year. I can see that our education taxes will double during the next five years or so if something is not done.

What we see is an unmet need for dramatic improvements in the infrastructure of this province. We see all these new taxes you have imposed on Metropolitan Toronto for roads and so forth. In other words, because of the rise in debt payments, health care and social assistance, the province is not able to do those things that are the basic things it should be doing, which are necessary to provide for the economic development of the province in the future. We see high

taxes and borrowing and now we see that you are looking to the towns to pick up a lot of the costs you no longer can afford to give us. It is beyond me why the education system in this province, as well as towns, should pay seven per cent sales tax.

There is no end to the new programs the government is creating. We see the government getting its hand into automobile insurance now because the rates paid by some people are high. I point out that the rates are high because there are far too many accidents and the accidents are caused by people not driving properly.

All you have to do is stand out on the front steps of this Legislature and watch. I nearly got run down trying to cross here at Queen's Park. The answer is to tell people to slow down and drive with care and courtesy, and if they do not they are going to have to pay high premiums. I believe if you came out with a good campaign to really educate people and to make these facts known to them—I do not know why you are getting into all this business of expenses and taking away people's rights to sue if their lives are destroyed.

The government is now getting into universal day care. From my own experience, again as a school principal, day care can be done in a first-class way at a reasonable cost locally without massive government bureaucracy. Let the people who need the programs use local churches and schools, etc., and supervise through a board of directors and pay for it themselves for the half-dozen or so years they need it and let government subsidies be provided for those who need help.

Six years ago some of the parents in my school came to me because they worked and there was nobody to look after their children. The result was the setting up of a nonprofit inexpensive day care run by the parents using free education space in the school. Subsidy was provided for some in need. The parents control the program, hire the teachers and they are delighted. I am a hero in that school for doing this. The cost to the government, as well as to the parents, is low.

The government is concerned about the lack of affordable housing. Housing is affordable. Does that come as a surprise to you? I will tell you that what is not affordable is the price of land in the Toronto area. Most towns in Ontario outside of the commuting distance from Metro have affordable housing. We can give you large building lots in Southampton for \$40,000 or even less and houses can be built for under \$100,000 there. In fact, many young couples are securing prefabs or

building their own houses for a lot less than that. Serviced industrial land is available in Southampton for \$14,000 per acre.

#### 1110

What I am suggesting is that the province can lower the price of housing in Toronto by lowering the demand for houses here, and this can be done by a policy of encouraging and abetting suitable industry and other commercial enterprises to locate in the thousands of small towns in Ontario, where wages and the cost of living are lower, rather than here in the Golden Horseshoe.

With the Via Rail cuts, I think it might also be a good idea for you people to look at developing a high-speed rail line along Lake Ontario towards Kingston and pay for it out of the developers who are going to make a bundle of money out of that development down there if you do it. You guys missed the boat about Yonge and Sheppard. Billions of dollars in profit were made up there because you put a subway line up, and those developers are gone. Had you charged them some kind of tax for all the capital gains made by speculators up there, you could have built the subway.

How is government policy affecting small municipalities? I am sure the province will be hearing briefs from the Association of Municipalities of Ontario. However, I will point out the following: The government is lowering the education and other grants to the municipalities and the province is adding more costs on to the local taxpayer by making new laws, such as court supervision being transferred to the municipalities, day care, pay equity, handicapped access to public buildings and health care payments, without any kind of financial assistance to our towns.

I will point out that one third of the town of Southampton is made up of senior citizens, mainly living on government pensions. Because it is a resort town, jobs tend to be seasonal and the wages of most people in our town are very low. We cannot raise the property taxes or people will lose their houses.

The council of the town of Southampton sets a limit on tax increases that will not exceed inflation. Last year, our road grader could not be repaired. We bought a 10-year-old vehicle in order to stay within the budget. The town, which is in the middle of the snowbelt of Ontario and has 26 miles of roads, owned only one ageing snowplow that needed replacing. The purchase of a new one was postponed a year in order to stay within budget. The securing of a desperately

needed workshed was postponed for 15 years until there were sufficient funds in reserve for a new one.

We have a badly underused sewage plant with high operating costs because we cannot afford to hook up most of the town. We have houses to which we cannot afford to supply water. Every summer we are forced to impose strict limitations on the use of water. Most of the roads in Southampton are not paved and people put up with dust, potholes and spring flooding. At the present rate of paving, it will require 140 years to do all our roads; in other words, we are falling behind. We live with these problems but we stay within our cost-of-living budget.

The startling thing about a small town is the amount of volunteering that goes on as people help each other or raise funds to do things about the town, such as buying equipment for our volunteer fire department. We raise money to buy things the town cannot afford to do.

In conclusion, what I am suggesting to you is that the Ontario government, as well as the federal government—you guys are paupers compared to it—has grown dramatically during the last 30 years. It is a fact that over half of the money earned by Canadians goes in taxes for the various governments. What I am suggesting is that a visit to the local barbershops or post offices in these small towns will reveal that most Canadians talk very angrily about this situation.

It is said, and it is probably true in part, that Canadians want many things from their government. But what I believe they want to see is their tax dollars spent with wisdom and great frugality. They do not want to see the government solve problems by simply throwing money at them. What I am asking you to do is to look at the thousands of programs and laws in this province with its massive bureaucracy with a view to seeing how they can be adapted, changed or eliminated in order to reduce spending.

I am asking you to ask the question, "Are there things that people or organizations can do for themselves rather than have government do it for them?" President Bush talks about the 1,000 points of life, and I think there is a lot of merit in that. I am suggesting, in other words, that government should be doing for people only those things which people are absolutely unable to do for themselves.

As I have said, the town of Southampton, in spite of pressing needs, stays within a budget increase not exceeding the cost of living. I am suggesting that this province start to do the same



thing. Set the total budget increases at the cost of living.

It is easy for pressure groups, groups large and small, to demand that the government do things. I think the province must learn to say the word "no". We say it all the time and we have to live there with all these people who are angry at us. I am suggesting that the province not start new programs unless the money is coming from reduced spending on existing programs. I am suggesting that the province look at existing programs and do a house cleaning, find some innovative ways to cut spending.

This constant increase in government spending cannot go on. If it does increase 59 times over the next 30 years, the government of Ontario will be spending \$2,436,110,000,000, and I guarantee you that you will not be blaming free trade for the flight of people and industry from this province. I thank you very much.

**Mr McCague:** I thank you, Mr Gurr, for your presentation and for quite a few things that I know we should be reminded of from time to time. However, a person could take exception to some of the things you said.

**Mr Gurr:** I am sure.

**Mr McCague:** I would point out to you that you start off by telling us that in 1959 houses were affordable. That, I think, is something you have determined in hindsight. Had you been looking for a house in 1959, I presume that it would not have been any more affordable then than it would be today. I was building houses in 1959 and selling them for \$15,000. They were harder to sell then than they are today. I guess the point is that everything is relative. I am not sure if you take \$15,000 and multiply it by 59 times, like you talk about the budget, that probably gets it up near \$1 million in this day and age and they are still a lot cheaper than that.

You did mention the community colleges being in the system in 1959. You are a little early on that, because it was not until—

**Mr Gurr:** We were planning—

**Mr McCague:** —1967. As I say, I think it is good to be reminded of these things and to make us mindful of the amounts we are spending. I think it is a statistic that, when Mr Frost was in government, the deficit was small but it would take the revenue of between three and four years to pay off that deficit. I am not one to defend the Liberal government today, but I could—

**The Chair:** Go ahead, George.

**Mr Daigeler:** Go ahead, you are doing very well.

**Mr McCague:** —I can tell you that what it would take to pay off the debt today is about a year's revenue, so I want to bring to you the elements of relevancy. Now, you have a lot of good points here and I would not be surprised if you are very successful in getting elected in Southampton for years and years to come. I am not sure you would do so well in the provincial scene with these kinds of statements.

**The Chair:** He probably does not want to either.

**Mr Gurr:** I am not sure I want to run another term up there either.

**The Chair:** Mr McCague having defended the government, I think we should adjourn.

**Mr McLean:** I would like to have a supplementary on this one. I just wanted to bring to your attention that the provincial debt has increased from \$2,300 for every man, woman and child to over \$4,600 today. So you can have your relevancy in how long it takes to pay the debt, but if you have increased taxes like this government has in the last four or five years, it will have the debt paid off in six months if it continues to raise them.

**Mr Reycraft:** Let us hear from George again.

**The Chair:** Would you two quit fighting with each other.

**Mr Cleary:** Mr Gurr, how long have you been a municipal councillor?

**Mr Gurr:** This is my first term. I retired two years ago and—

**Mr Cleary:** You said on your third page, "What is happening to our society?" You go on to drugs and alcohol. Okay, do you blame governments for that, or who do you blame for that?

**Mr Gurr:** I blame society. Everybody always blames the schools for these problems too, but I think it is inherent upon the schools and government to provide programs that are going to get these people out of these circumstances. That is what I am saying. It is no good just throwing money and saying, "Here is money to feed them," or whatever. I think you have got to really get down there with social work, not social assistance so much, but social work to change people, to prevent these things from happening.

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Through our schools, we have got to do a far better job on keeping kids out of drugs and keeping young girls from getting pregnant and ruining their lives and keeping kids in school. It is too easy to leave school. These are the kinds of things I think government is responsible for

doing because if it does not do it, nobody is going to do it.

**Mr Cleary:** Having been a municipal councillor for a lot of years myself before I came here, I sat on various committees like that, trying to make recommendations and I am sure probably you did too. I do not know how you can blame government for that because the government had input from the municipalities like you represent now and, if those programs did not work, people like yourself have to take part of the blame for it.

**Mr Gurr:** We do, but I think more has to be done.

**Mr Cleary:** Okay. The next thing, you talked about the government insurance and you mentioned some kind of a program. What kind of a program did you have in mind? You said a "campaign"; I guess that was your exact word.

**Mr Gurr:** Because of the auto insurance?

**Mr Cleary:** Yes.

**Mr Gurr:** Well, people do not think. Having lived in Toronto, I know. You get up in the morning and say, "God, I have got to go to work," you are in a traffic jam, you start hurrying, and people drive in Toronto probably five times as fast as they do in Southampton. I do not think my car ever goes above 15 miles an hour in Southampton, but here—

**Mr Haggerty:** You have got all those potholes up there.

**Mr Gurr:** We have all those potholes, which is the other reason, yes. But even on the highway you tend not to drive fast when you are in a small town. It is partly here, and I think you have campaigns, you get together with the insurance companies and explain to them very clearly, "Look, you are having all these accidents, this is what is causing your rates to go up."

**Mr Cleary:** Is that not going on right now in Southampton?

**Mr Gurr:** I do not think so. It is not getting through. You only have to stand out here and watch what is going on. I mean, cars skidding to a halt and people cutting in and out. Everybody is rushing. You come down the Don Valley Parkway and it is like you are standing still if you are going 50 miles an hour. Everybody is rushing and I think you have to slow them up a little bit and have them show more courtesy. That is what is causing accidents.

**Mr Cleary:** The other thing you have mentioned is about a 10-year-old grader. A grader is good for 30 years if you look after it properly, so

there are a lot of municipalities that just repair their graders—

**Mr Gurr:** We had done that to the point where we could not any more.

**Mr Cleary:** I know. I went through that a number of times too, where I come from.

**Mr Reycraft:** I listened to your arguments about user fees as a way of reducing the cost of the health care system. That is an argument that we hear from time to time and some of us have heard a lot lately after going through public hearings on the employer health tax. Are you aware of the fact that in the United States, which essentially still has a privately delivered system of health care, the cost of health care averages out at \$2,500 per American and that in Canada, where we have an almost universally accessible system, the cost per Canadian is only \$1,500?

**Mr Gurr:** It is probably because the doctors down there make an awful lot more, I understand. That is partly it, I guess. But you still have a system where I do not think there are any checks and balances, and this is what disturbs me. I was in hospital for some time and I have not got a clue what the doctors, all these different doctors, charged, or what the hospital charged. I have not got any idea at all and I know that if you go to a hotel, they make mistakes.

**Mr Reycraft:** I think the point you are making about people knowing the cost of health care treatment is a very good one and that is one we are trying to address at the present time. I should also indicate that there was a study done about 10 years ago by the Ontario Council of Health, for Dennis Timbrell when he was minister, a study of user fees in a number of different jurisdictions where it had been tried, jurisdictions that had a public system of health care. Even there, the outcome was not the one that had been expected and that you would suggest.

Indeed, what happened was that patient-initiated health services did decline. That is not surprising; that is the outcome that you suggest we should expect. However, on the other side of the ledger, physician-initiated services increased and the number of minor surgeries and return visits to doctors' offices and visits by doctors to patients in hospitals all increased significantly, so that the net impact on the public purse was a negative one.

**Mr Gurr:** Well, I guess my answer is, my glasses have been broken here for about a year and even though I have insurance, I have been saying to myself, "Well, getting these glasses fixed is going to cost me \$100." So I said, "What

I am going to do is put up with that little chip there." If it were paid for totally, I would have had it replaced long ago. That is what I am saying.

I was on a medical board here in Toronto when the medical—what do you call them? My mind is going—

**Mr Reycraft:** Board of health?

**Mr Gurr:** It is a little medical centre where you have doctors and preventive programs—

**Mr Reycraft:** Health clinic?

**Mr Gurr:** District health organization. I know that a large number of people came in there who really did not need to come in. There was nothing wrong with them, but it was for free. You would come in and talk to the doctor and whatever because they were alone. There was a lot of that kind of thing happening, and I think these are the things you need to look at.

**Mr Reycraft:** But would you not agree that if those people had to pay, some people who needed health care would not go because of the cost, and in some of those cases the ultimate treatment of the problem might be a heck of a lot more expensive than it would be if they visited the doctor's office in the early stages of whatever the problem was?

**Mr Gurr:** I do not think you need to tie up an expensive doctor. I think maybe you need to have social workers who are prepared to deal with that kind of thing, rather than expensive paid people sitting there listening to somebody who really does not have a problem at all, who is lonely.

**Mr Haggerty:** I want to thank you for your brief this morning and say that you come from a good part of country in Ontario, Southampton and Port Elgin.

**Mr Gurr:** It is a great place.

**Mr Haggerty:** A great place and I noticed in the last four or five years that you can buy gasoline up there for about four and five cents a litre less than you can down in my community of Fort Erie, which is driving the people over to the American side to pick up—

**Mr Gurr:** It is 49.9 cents a litre now.

**Mr Haggerty:** Yes, it just went up here about a week or so ago, but it was as low as 44 cents.

I was amazed too, when you talk about the government up in that area, I think you have some of the best county roads in Ontario in that area. I do not know where they get the money to fund it, but they do have exceptionally good roads there.

**Mr Gurr:** I believe you pay the county 90 per cent of the paving and you pay us 50 per cent, but it has limited the amount that we can do every year.

**Mr Haggerty:** That is the point where I am coming in here. I think the point that you were driving home here to us is that you can cut corners, but sometimes when you start cutting corners in municipal expenditure, you are shortchanging yourself.

I had an example of a municipality in my area complaining that it was not getting enough road subsidy. Of course, they were getting it but were not using it. The minute you do not start using that road subsidy, then the next year you are cut down to that level and told: "Well, you don't need the money. Go someplace else." It is the same thing as your road grader. You probably needed the road grader, but maybe you could have applied through a supplementary subsidy. Sometimes you can get more of a benefit of breakout of that. Graders today cost you what? \$225,000 or \$250,000?

**Mr Gurr:** No, I think we paid \$20,000 for that used one.

**Mr Haggerty:** To buy a new one today, probably with your revenue that is generated through assessment, you could not afford to pay that much money.

**Mr Gurr:** We have 600 senior citizens 70 or 80 years of age, believe it or not, and they just do not have that kind of money.

**Mr Haggerty:** It is a good retirement area. The golf course is a little bit cheaper to get out on.

**Mr Gurr:** It is a wonderful golf course.

**The Chair:** Would you guys like to have lunch?

**Mr Haggerty:** But really, when you look at it, like all municipal councillors, you deal with the gut issues of the municipality. We are not fortunate enough to come from a place like Mississauga where they have the wealth of Metropolitan Toronto sitting there. Even with the development taxes out there, they can do very well by it.

But you are right in what you are saying. When they put the GO train and the GO services out there, it creates development and the developers come in and have a free ride, in a sense. That has been changed now through the Development Charges Act that was just passed here that they have to pay. It is passed on to the consumer, let's put it that way anyway, but it is there.

I share some of your concerns and I understand it is difficult, as a growing area up there. I think



of Port Elgin particularly, where you had Ontario Hydro come in and the hardship that caused to that municipality in providing the infrastructure. They are still having problems with it. The biggest majority are Hydro workers who live in Port Elgin and it has caused this without—I know there was some assistance given by Ontario Hydro to Port Elgin and Kincardine, but for some unknown reason, I guess Southampton was left out of the picture. Am I correct on that?

**Mr Gurr:** No, we did get grants.

**Mr Haggerty:** You did get some grants?

**Mr Gurr:** In fact, that is how we are paying for our shed, by saving that money for all those years.

**Mr Haggerty:** I would have kept looking in there to find out where that grant was.

**Mr Gurr:** Interestingly enough, we are paying them back. We are saying, "Okay, we paid for this shed now," so we keep that reserve for other things in the future. We have really very little debt in there apart from our waterworks and sewage plant system.

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**Mr Haggerty:** What about the hospital? You never said anything about the hospital in Southampton.

**Mr Gurr:** I really do not know a great deal about it.

**Mr Haggerty:** Are there any difficulties in that area, a small hospital?

**Mr Gurr:** I really could not speak about that. I have no idea. It is a great little hospital; that is all I know. It is one of the best.

**Mr Haggerty:** It is the only one around there for quite a way.

**Mr Gurr:** Yes, and Owen Sound.

**The Chair:** Mr Haggerty, I think we should move on.

Mr Gurr, thank you very much for your walk through history and your very interesting presentation this morning. Thanks for coming.

The next deputation is the York Region Board of Education. We are pleased to have with us the chairman, Harry Bowes, and the trustee, Joanna French, who is chair of the finance, facilities and organization committee, and the superintendent of business, Jack Webber. Good morning and thanks for coming.

#### YORK REGION BOARD OF EDUCATION

**Mr Bowes:** Good morning again. The last couple of times I was here, I was reminded that

the first thing I should do is introduce my colleagues and now the chairman has done it for me.

**The Chair:** If you want to do it again, you are welcome to.

**Mr Bowes:** It was on 26 September that I was here before you last, in the select committee on education. I said "I'll see you in four months," and it has been less than four months and many of the same people are here on this committee.

I was pleased to hear Norm Gurr stress education, saying that you should put more importance on education for some of your problems, because that is what we are here for today.

I was disappointed when I phoned the members of the Growth Boards Coalition. You might be aware of that. We have been before you with that. I phoned the other seven boards over the weekend and not one of them had heard about this presentation this week, so today we are not speaking on behalf of the boards but we have the full support in our presentation of the Catholic and public school boards of Durham, Halton, Peel and York region. Over the weekend I have had their support and we are receiving their written support. If you are interested, that will be available to this committee as well.

**The Chair:** We would like a copy of that, Harry.

**Mr Bowes:** The Growth Boards Coalition has been quite active in several areas in financing of education. While most of the costs we will highlight are not directly from the Ontario budget, we hope to show that education has declined quite drastically as a priority in the provincial transfer payments over the past 12 to 14 years.

I will cover the first two sections of the brief and Joanna French, chairman of finance, facilities and organization for the board, will cover the next two, then Jack Webber, the superintendent of business, will be available for any questions on financing and the budget.

First, we would like to stress the inadequate funding to cover the costs and to recognize the mandatory Ministry of Education priorities.

OSIS implementation, which is one priority, put a lot of costs on the boards which are not covered by the grants. Science is one area that was put on us by the Ministry of Education, and there are many others.

The ministry provides incentive grants, of course, for the majority of these, like junior kindergarten and technological education, but the majority of the costs still go to the local

taxpayer. For instance, there are no grants for the junior kindergarten facilities at all. They will give you the regular grant on the teachers. Of course, our grant in the York region board is only 16 per cent of our operating costs. There are enormous costs for renovating rooms to prepare for junior kindergarten, kindergarten and for kinderpaks, which the Peel board of education used. It costs about \$700,000 for a kinderpak, which supplies two junior kindergarten classrooms. Technological education costs are similar. That was one of the provincial priorities and it puts tremendous costs on the board.

Grants that we receive for providing heritage languages are not enough, really, to provide for the hidden costs that are included that the board has to pay for.

Of course, refugee claimants are a sore point with our board. It is a good thing, but should the local taxpayers be responsible in the areas, in the Metro boards and boards surrounding? Many of them are in Kitchener-Waterloo. There are thousands of refugee claimants where every year the costs of their education fall 100 per cent on the local taxpayer.

The second point I would like to mention is on the initiatives of other provincial ministries which the education community has to cover and everything in that case has to go back on the local taxpayer. There are funds allocated for the physical buildings for the day care centres which the boards are obligated to build, but the funds allocated for a building are not enough for the actual costs of that building. Besides that, we have to hire extra administrative help, day care co-ordinators, and extra work is put on the principals of the schools.

The Treasury department: I think it costs \$2.5 million for the payments for OHIP, the tax on local school boards—local school boards which were paying at the time 100 per cent of OHIP payments for their employees, and now an extra \$2.5 million because of that initiative. Not only that, I have been self-employed all my life as a pharmacist. I worked all my life and paid my own OHIP. I was born in 1923 and have not had to pay OHIP for a couple of years. Now, because I receive a T-4 slip from the board of education, it is taxed for me. I am a person who paid his own all his life, reached the magic age, retirement age, where the government pays your OHIP; now the local taxpayer in York region is paying for my OHIP by the tax imposed by the provincial government.

The Ministry of Labour: As you can see from our presentation, the 1988 and 1989 budgets

covered \$510,000 for health and safety projects which we were forced to put in by the new health and safety regulations, and there are additional costs and additional staff—a health and safety officer, an assistant to that person, a computer operator, a secretary—so that costs a lot.

The Attorney General's department: The fire marshal regulations create problems—additions and alterations whenever doing any renovations—and a horrendous cost.

Pay equity legislation costs the taxpayers in York region \$3 million; \$2 million for the unionized groups and another \$1 million for the nonunionized groups.

Similar to the additions at the court is the Ministry of Municipal Affairs, where expenditures—and they are quite considerable—for new construction, additions and alterations are not recognized in the capital grant plan because the capital grant plan of the Ministry of Education is far out of date.

The Ministry of Health: As chairman of the board, I receive a list every year from the Ministry of Health of 400 or 500 things from our 109 schools, and I receive the same as treasurer of the Royal Canadian Legion and president of the local curling club, so I know these people go all around the province listing hundreds and hundreds of items that you have to do. Otherwise, they have the right to close you up. It is a horrendous cost to go over to 190 schools nitpicking all these small things.

#### 1140

Community and Social Services: I mentioned day care centres. The closing of the developmentally handicapped centres, we find, is putting more and more people into our school system for whom we are responsible. On section 16 facilities, we find that even though the cost was supposed to be paid for by the Children's Aid Society of Metropolitan Toronto, there are a lot of administrative costs in those.

The Ministry of the Environment is just another ministry that puts the onus on us for environmental testing. We have to do the testing for PCBs, contaminated oil leaks and things like that.

Those, as I mentioned, are not the fault of the Ministry of Education; they are the fault of all the other ministries that are putting the onus on the boards of education to do these things. Again, it is difficult for the local taxpayer because of the decline in the funding from the total provincial budget for education.

**Mrs French:** Good morning, ladies and gentlemen. I only have two little bits to do here,

points 3 and 4 on page 2. I will be covering those two with some explanatory and, I hope, illuminating excursions into the specifics of our particular problem.

The first item is, the capital grant plan formulas covering provincial funding for new pupil places is many years out of date. This means that in reality the provincial funding approvals are only covering approximately 75 per cent of the actual costs incurred by the boards. I am sure you have heard, over the years—ad nauseam, no doubt, to some—from boards experiencing any significant growth.

We are often told by the province, and we were in fact told by the Treasurer not too long ago, that we are very fortunate to live in rich York region, but I am beginning to find, with our 16 per cent tax increase in this last year and probably more to come of the same level, unless things change, we may not live in rich York region for much longer.

Our costs are 25 per cent higher than the approved capital grants and our grant rate is about 58 per cent of the approved costs, so you can see we are talking about a 70 per cent shortfall between the actual money we receive from the government and the cost of building new schools. Because of the large number of schools that we are building, probably the largest number of anybody in the province at the moment, this is a very real and significant load that we have to carry. We try to be as creative as we can, but we do ultimately pass it on to the municipal taxpayer.

My information is that this particular approach to capital funding probably has not changed significantly in nearly 25 years. There are a lot of other things that have changed significantly and I think maybe it is time to have a good, hard look at that one.

Another sore point with most school boards is that we are saddled with the 35-pupils-per-classroom funding formula. In other words, when we are funded for a school, we are supposed to put 35 kids in each classroom, and then they say, "You have 550 kids; you are going to have X classrooms." Unfortunately we have that on one hand and then we have a provincial mandate to reduce class sizes, in some cases down to 20 or 21 in the junior grades. You can see there is a certain discrepancy between the one side and the other.

It really is sometimes rather like Alice in Wonderland when you try to explain the rather unusual circumstance of building a brand-new school and before it even opens you have portables; sometimes six, sometimes eight,

sometimes more arrive on the site. This is often a school that has been long awaited and people cannot believe it.

I had to explain to one constituent who did not particularly care for the eight portables, because she looked right out her backyard on to them, the situation of the 35 kids in the classroom. She had a seven-year-old and a nine-year-old. She and I knew—I have a six-year-old and a 12-year-old—that really and truly, 35 of them in one room are really a little much. I explained to her this problem we have, that we really do not have enough space inside the school, given the funding we have, so we have to make these sorts of temporary-permanent arrangements of portables outside.

I explained all that to her and she said to me—and it was such a lovely, naïve but very strong statement—"Have you explained this to the Ministry of Education?"

I was forced to laugh, because five years before that I had been in her position and I could not understand it. I campaigned and we got a new school, I became a trustee and I still ask the same questions. Unfortunately, when I said, "Yes, the ministry does know," she said, "I can't believe it," and I said, "I can't believe it either." I do really sincerely tell you that this is one of our biggest problems in our funding shortfall in the capital grant area. It is such a blatant discrepancy that we could no longer even explain it to our constituents in a way that makes sense to us.

The long-term effect of such obvious discrepancies, unfortunately, makes the provincial government look rather ineffective and not too up to date. I know that in most cases, of course, that is not really true.

The local boards, too, are incurring larger and larger debt loads, particularly for the purchase of portables. Really, when you look at that as an investment of money, and sometimes we have to debenture them over a long period of time, it is not the best place to put your public dollar because portables do depreciate like a car, slightly slower, because we move them and they are inclined to fall apart after about 10 years. Sometimes we have not even finished paying for them before they start to fall apart.

Since we are seeing sweeping changes in the very manner in which education is funded, it does seem an ideal time to look at some of these inequities.

We move on with some trepidation to the next item, which is number 4, and that is that there is no provision in the grant formula to recognize the startup needs for new schools or for the costs



related to overcrowded conditions in existing schools while new schools are being built.

York region has grown by 17,000 public school students in the last seven years. Our projections tell us to expect another 17,000 in the next five years. From 1982 to the present we have opened 14 new elementary schools, three new secondary schools, three additions and there are actually three that are in a sort of quasi state and are being built at the moment.

Admittedly, the government of Ontario in the last few years has been very good to us from the capital grant point of view. We cannot deny that we are gradually catching up in actually providing proper accommodation. However, one really significant cost that we do incur is that of holding these children while we build, because sometimes they come in far faster than we can build, and the actual capital outlay that we have for outfitting a new school.

In 1990 alone, we will be opening five new elementary schools and a new secondary school. That is lovely and exciting, but as those students pour in, they do not come in a very organized way in August so that we can get them all in the right place at the right time; they come in all through the year, so there is a net loss of your average daily enrolment grants, which means that if a child moves in in October, he or she is not eligible for educational grants until January. So in actual fact you lose that grant for ever from those kids, and because there is such a significant number of children moving in throughout the year, there is a very real cost to us. In 1988, that was equal to \$500,000, and that is just small potatoes.

Providing a base inventory for new schools means that money must be spent that is not covered by the per-pupil grant. If somebody moves into my area, which is an old established area, there already are the desks, the caretakers and all the other supplies and they might just move him into an empty desk that is stored in the basement somewhere. But when they move into a new area we have a significant outlay. We have to buy all the caretaking supplies, equipment, furniture, books and instructional supplies, which in 1988 added up to \$1 million.

#### 1150

Then we have to add to that the salaries of the principals, teachers, caretakers and secretaries, particularly the principals, caretakers and secretaries. They are usually hired in advance of the school opening to organize the opening, because it is quite an administrative feat to do so. So in actual fact, they are out of their schools and we

have other principals in the schools, other secretaries.

We have the five that we are opening in 1990, we have three that are in flux right now, and we will probably have some people who will take over the new positions any day now. In 1990 the cost for opening a new elementary school is \$70,000 in salaries, and for opening a new secondary school it is \$250,000, because you have such an immense building and such a large staff. You have to hire heads of departments and it is very complicated. In 1990 that will mean \$600,000 in all. In any one year we are looking at probably \$2 million of money that comes directly out of the taxpayers' pockets, because there is no way we can recover that through any grant formula.

The cost of putting a roof over the heads of all those brand-new York regionites before we get to build a school, because we have to provide them with something, is an expensive challenge. Although we are beginning to catch up, we cannot build fast enough. As a result of the reduced class size and the unrelenting growth, we actually are lucky enough to own 646 portables. I think that is probably the largest total in Ontario. That is the equivalent of 27 elementary schools.

**Mr McLean:** What was that number again?

**Mrs French:** It is 646 portables; 27 elementary schools.

**Mr Bowes:** That is a little out of date.

**Mrs French:** That is a little out of date. It may be more.

**Mr Bowes:** It is growing every week.

**Mrs French:** That is as of September 1989.

In 1988 we purchased and equipped portables and they cost us \$5.5 million. The government grant, however, was only \$1 million. The \$4.5 million shortfall was directly donated to the municipal taxpayer. Our debenture payments increased by \$1.1 million, or 27.81 per cent—I will just leave that. That does not sound like an accurate figure I have written down there.

In most cases kids placed in holding schools are almost always bused. In 1988, \$300,000 was spent on busing children in holding schools. In some cases we have been forced to reopen and renovate old, existing schools that up until then we had leased to other agencies, in some cases our separate school board or other agencies. We have had to reopen them. Often they have been sitting empty for years. In 1988 we reopened one school and it cost us \$400,000 to bring it up to the

present standards of health and safety, fire and all that.

It is hard to quantify also—we have not attempted to—the continual wear and tear on the facilities and the equipment. There are some schools that have 18 or 20 portables. The school was actually built to accommodate 500 or 550; it has 900 children in it. They manage, but they use everything. It is like rush-hour in Toronto. You have this tremendous press of bodies in the washrooms, in the libraries. The library books do not last very long in our schools because there are twice as many kids using them as there would normally be. You are lucky if your kid gets into a gym in some of the schools more than once or twice a week because they have so many classes they cannot schedule the gym time.

If you add all those costs together it comes to a rather impressive \$6.8 million and that comes out of the taxpayers' rather terrified pockets. We have hopefully impressed you with the very real magnitude of our growth problem and the very severe financial strain that it is on our available funds. I will now turn the presentation back to Harry to wrap up.

**Mr Bowes:** Just the recommendations; I would like to mention them briefly. The first one is that realistic expenditure ceilings be set to recognize today's programs and costs. Any of you involved in education—I am sorry Dianne is not here today—knows that there is not a board in Ontario that can come close to the expenditure ceilings. We are one of the most frugal boards in the province. In 1987, of the large school boards, we had the second lowest expenditure per pupil and in 1988 we were the fifth lowest. There is no way that we can come close to spending at or under that expenditure ceiling, and as a result, 100 per cent of anything we are over goes to the local taxpayer.

The second one is that the province increase the share of the provincial budget for elementary and secondary education to permit the return to the 60 per cent average across Ontario, a level of the early 1970s. You people must remember the last two provincial elections. That was a part of your platform and there has not been a hint of returning to it now; in fact it has been decreasing. I have 47 per cent—I see Jack has 46 per cent now—where you have promised that you would return to the 60 per cent level.

**Mr McLean:** What was that promise again?

**Mr Bowes:** The promise was that the Liberal government would return the funding of education to an average 60 per cent level out of general legislative grants.

**Mr McLean:** That is what I thought I heard too.

**Mr Bowes:** I wish you would not, as many have done over the years, ask, "Sixty per cent of what?" because it is 60 per cent of what you promised; you know that. It is 60 per cent of the cost of operating the school system.

Third: That the province ensure that there is no loss of revenue to public boards as a result of the pooling of commercial and industrial assessment. Of course, that is the presentation we made on 26 September, and we want just to reiterate that. Some of you may still have the presentation we made at that time. The government has promised that; we just want to ensure you live up to that promise.

Fourth: That the capital grant plan be revised to recognize the realistic current costs of buildings and equipping new pupil places. Joanna has referred to that. Whereas a \$6-million school cost us \$6 million to build, the Ministry of Education only recognizes that it will cost \$4.5 million, and only gives us 58.7 per cent of that \$4.5 million.

Joanna again has covered point five about the growth boards.

The Deputy Minister of Education called us down, of course, a month ago and presented this big action plan booklet to us with dates galore and everything in it, what is going to happen, all mandated in local school boards, what we have to do. It says "a framework for consultation," but all the dates are in here when these things are going to happen and our school boards are going to have to do them.

We would say—and we have given you this chart, and I think it explains it fairly well—that in 1975-76, of all the total provincial budget, 15.1 per cent went to education. We would like to know why education as a priority has declined with this government so that in 1987-88 the total spent on education was 10.4 per cent of the provincial budget. All our presentation comes down to that one fact. Even \$1 billion, even one per cent back to what we received in 1975-76, would give a big relief not only to school boards but to the local taxpayers.

**Mr Daigeler:** I can certainly sympathize with your situation, because I represent a riding that has the Carleton boards in it, and they face very similar problems. Just last week I had parents in my office who were talking about some of the things that you were just explaining. I served on a school board myself before. Two questions: first, how would you have answered the gentleman,

and I think you heard him, who was here before you? I think that is the other side of the coin.

Second, and I think we have addressed this through Bill 20, these problems that you have identified—and I said this to those parents—are they not the cost of growth? I think we have to be more realistic in terms of the new housing construction that does not seem to take into account the related costs of infrastructure. I personally feel we have done that through Bill 20, the Development Charges Act. The cost of new housing will have to more accurately reflect the infrastructure costs associated with new development.

**1200**

**Mr Bowes:** You talked about the cost of growth. The problem is, the cost of growth is not the fault of local school boards and not the fault of the local residents who have lived in those communities for years and years. It is caused by the developers and the provincial government, the Ministry of Housing, which allows some of these developments to go ahead.

We have tried to halt developments in subdivisions in York region and we heard, in no uncertain terms, from developers' lawyers and by the Ontario Municipal Board, that we had no right to do it. We knew we had no right to do it. Bill 20 is about 15 years too late.

We started making presentations to the York region board in 1971, to Darcy McKeough, on lot levies. We made a huge presentation in 1977 to the Planning Act Review Committee. We have been doing it every three or four years, and we thought that eventually we would have some light at the end of the tunnel and we would be able to draft a bylaw on lot levies in November 1989. Now somebody tell me when it is going to go through. When can we draft our bylaw? We are told now we are not going to be able to draft the bylaw before March, something like that.

**The Chair:** It has gone through, Mr Bowes.

**Mr Bowes:** The regulations have not been drawn up, the regulations and the approval to drop the bylaw have not gone through. Bill 20 has gone through; it went through last year. Now there is another four- or five-month holdup on the regulations covering the bylaws.

**The Chair:** The regulations are being prepared.

**Mr Bowes:** We have been waiting since November with our counterpart separate boards to draw up the bylaw, and we cannot do that. The previous gentleman who was here mentioned user fees for health care. I am a senior citizen,

also in the health services field. I see the abuse of the health system in this province and I agree wholeheartedly that there should be a user fee for the health system. I see the abuse because I am in that field.

**Mrs French:** On the point Mr Bowes makes about the control of growth, we are not empowered to do anything.

**Mr Daigeler:** I am aware of that. I make that more as a comment than as a question to you.

**Mrs French:** It is a comment, but in reality we have no control over that. In fact, it is like being on a runaway horse. You do not necessarily want those gigantic homes in your backyard. In fact, I live in old Markham village. My house is 105 years old. On the street I live on, people have lived there all their lives. Often they worked as a mechanic or as a store worker. They have very low pensions. They find it really difficult to live in the urban parts of York region. They have names like Reesor or Raymer, the founding names of our community, and they are having a struggle.

I guess every time I walk down my street and see Mr Reesor or So-and-so who used to be married to So-and-so Ramer, I know that a 16 per cent increase on taxes is going to make a big difference to whether or not he or she can buy food or whether he or she can have that pair of warm boots. It does not make me feel very happy, but on the other hand, three miles north or south, particularly south to Milliken Mills, there are thousands of people moving in every year. Those people on my street are paying for those people down there and there is no way we can cushion it for them. The senior citizens, I think, or people on limited incomes, do get caught. If you can come up with a solution as to how we could cushion that for them, I would be glad to hear it.

**Mr Haggerty:** They do have their property tax rebate.

**Mrs French:** Yes. I have low property taxes. Mine are only \$2,000 because my house is old and I live on a street that has not had any new services. But it has gone up. When I moved in 10 years ago, it was \$700.

**The Chair:** Mr McLean has a question.

**Mr McLean:** Thank you for the presentation. I am sure it is one that most school boards across this province would make, when we talk about portables.

You indicate, with regard to the lot levies, that you would like to be able to proceed with them. What type of figure are you looking at with



regard to the size of a lot levy that you would be initiating?

**Mr Webber:** We have not been able to determine this yet because that is what we are waiting for in the regulations. I would think we are looking at anywhere from \$5,000 to \$7,000 or \$8,000. The biggest problem with the development charge is related to the capital grant plan, which Joanna mentioned, in that if the capital grant plan is not updated, we will be still covering 25 per cent of that cost from the local taxpayer, even with lot levies, because the lot levy can only be charged on the approved cost. That is the biggest problem.

**Mr McLean:** The indication also that we have had from the Treasurer (Mr R. F. Nixon) is the fact that you have a tax base to get your money. That is where you get it. Is there anybody here who has had a copy of the draft regulations? Are they out?

**Mr Webber:** Yes, they are out. We reviewed them last Friday with the ministry, but they still

have to go back for final review and then I understand the ministry is going to be approving our calculations and our bylaw. So they have to put all that in place and they suggest it would be 60 days, approximately, before that would be ready. That takes us into March.

**Mr McLean:** Right.

**The Chair:** Thank you very much for coming this morning. We appreciate your presentation.

**Mr Bowes:** Thank you very much for the opportunity. I would like you to know that our mill rate increase was 16.5 per cent in York region.

**The Chair:** This committee stands recessed until 2:30 this afternoon.

**Interjection:** Two.

**The Chair:** Oh, it has been changed to two o'clock.

The committee recessed at 1210.

## AFTERNOON SITTING

The committee resumed at 1410 in room 228.

**The Chair:** We will start this afternoon's session of the standing committee on finance and economic affairs. Other members will be joining us as we go along—here come some now—but, of course, all the comments will be recorded in Hansard.

We are going back to our deputations and our first deputation this afternoon is the Income Maintenance for the Handicapped Co-ordinating Group: Christopher Watts, the chair, John Southern and Francine Arsenault. Please come forward at this time. Welcome to the committee. It is nice to have you here. You have a fourth person whom perhaps you could introduce to the committee and begin whenever you are ready.

#### INCOME MAINTENANCE FOR THE HANDICAPPED CO-ORDINATING GROUP

**Mr Watts:** Thank you for having us here today to make this submission. We were here last year at the same time.

With me today, on my left, is Harry Beatty, who is legal counsel for the Income Maintenance for the Handicapped Co-ordinating Group and a staff lawyer at the Advocacy Resource Centre for the Handicapped. Next to him is Francine Arsenault, who is president of Persons United for Self-Help in Ontario and also a director of the Coalition of Provincial Organizations of the Handicapped. Next is John Southern, who is a member of Blind Ontarians Organized with Self-Help Tactics and was also a member of the Social Assistance Review Committee, as you recall. My name is Christopher Watts. I am the chairman of the group and also I work at the Canadian National Institute for the Blind.

We appreciate being here today and having an opportunity to present to you some of our ongoing concerns with respect to the lives of disabled people in Ontario.

First of all, we would like to explain a little bit about our group. If you refer to appendix A, essentially page 9 in the brief that has been presented to you, you will see a list in the left-hand column of our active membership at the moment. This includes the Canadian Mental Health Association, BOOST, CNIB, the Kidney Foundation of Canada—Ontario Division and so on. Also not included in that list, which was an omission on our part, is the epilepsy association.

We have been busy since 1978 presenting a variety of issues to government and making a

variety of public presentations. We have analysed programs related to the income and supports available to disabled people in the province and have developed positions reflective of this coalition in terms of what we expect for disabled people in Ontario.

In recent years we have met on a twice-yearly basis with the Honourable John Sweeney, then Minister of Community and Social Services. Also, just this past year 1989, we met with the new minister, the Honourable Charles Beer, and with the new Minister without Portfolio responsible for disabled persons, the Honourable Ms Collins, as well. Many of the items that are contained in this brief today were discussed with them prior to today.

We want to make clear to this committee today that we are very appreciative of the showing in last year's budget of \$410 million to implement stage 1 of the Transitions report, which came out in September 1987. We have been very pleased with the response, particularly the effort made in the extension of the shelter subsidies, which is particularly a problem for people in urban centres.

Also, there has been the extension of personal needs allowances to facilities that previously were ineligible to receive them. Specifically psychiatric facilities and developmental services facilities were previously ineligible to receive that allowance, and that was extended to them; also, the supports to employment program that Mr Sweeney announced back in June, which would help people make the transition from dependency on social assistance to competitive employment.

Although there are a number of items that we want to discuss, our main purpose today relates to the completion of stage 1 of the Transitions report. There are a number of important measures, as I have just discussed, which Mr Sweeney announced, and I would like to repeat that we are very pleased with that commitment.

However, we feel a considerable chunk of stage 1 needs to continue to be worked on. We have been assured by the government also that some of the legislative changes, which are very complex and involve a series of very difficult and historically laden rules, are being looked at and also some of the federal-provincial negotiations regarding the Canada assistance plan and so on are ongoing.

Nevertheless, we are concerned that there are some incremental improvements that need to be made and some things that were recommended by the Social Assistance Review Committee that were not touched upon in last year's budget and we want to bring those to your attention shortly.

One thing we feel very strongly about as well is that we feel that it would benefit the government, as well as the groups involved in advocating for disabled people in Ontario, to conduct a cost-benefit analysis of the costs of the reforms vis-à-vis the potential benefits; for example, taking a person who is normally on social assistance and demonstrating how much it would cost him to remain on social assistance as compared to the costs involved with helping him make that transition.

We submit that if that analysis were done, it would help this committee in determining further allocations in further years, based on the evidence that clearly there is a substantial saving of money. We have the ability to provide also case examples on an ongoing basis. We also network with other groups to get examples of how the government will save money in the long run.

I would like to mention one thing just about the poverty that many disabled Ontarians are still experiencing. On page 3 of the brief there is a chart that illustrates the percentage of households receiving food assistance from the food banks in Ontario. Down at the bottom of that page you will see that 71 per cent of people using food banks in the province were deemed under the rules to be unable to work. Of that percentage, 22 per cent were disabled or blind—still a high preponderance of disabled people using food banks. Of course, I think it is in everyone's interest that food banks are eventually done away with. That whole secondary welfare system is symptomatic of problems with the primary welfare system. If we can simplify, get back to the primary system and help people more thoroughly get into competitive employment, become taxpayers instead of recipients of social assistance, then we will be much better off.

I would like to turn now to John Southern, who wants to talk about some of the remaining stage 1 changes in Transitions.

**Mr Southern:** Just for the record, the acronym BOOST now stands for Blind Ontarians Organized with Self-Help Tactics. We changed our name last June at our annual general meeting.

Being a part of the Social Assistance Review Committee, I thought I was aware of and knew what problems people faced in this province

dealing with the social assistance system and living in poverty, but it was brought home to me how bad things really were. They were a lot worse than I actually thought, which was a surprise, but not a very pleasant one.

I think the main issue that all groups, regardless of disability or otherwise, brought to our committee was the inadequacy of the levels of social assistance. While there have been some improvements, and we would like to thank the government for what it has done so far, there is still a long way to go.

Some people were really hopeful that once the Transitions report was released—and they had to wait long enough for that to happen—there would be some real improvements in their lives. But a lot of people I have talked to have not seen it; all they have experienced is the customary five or six per cent raise in income. I would really like to see an improvement in that. We would like to see a rise in levels of five per cent above inflation and then we would like to see that indexed, obviously. I know it is costly, and we are aware of these costs, but the costs of keeping people in poverty outweigh them, both healthwise and just in the way people feel about themselves.

Disability means poverty in this province, and there has not been much change in that in all the time I have been involved with the Income Maintenance for the Handicapped Co-ordinating Group, and I have been involved with this group for nine years or so. While there have been some improvements, as I say, we still have a long way to go.

The comfort allowance in institutions: We certainly would like to see that improved. We have been calling for it. There were some improvements a few years ago, but again the allowance seems to be dealt with on an ad hoc basis. People in these long-term care facilities certainly do need some assistance, and they could lead much more meaningful lives if they had a bit more disposable income. We would like to see, at least as a start, the rate brought into line with the rate that seniors receive in the same facilities. That again would just be a start; I think they need a lot more than that.

I used to do a lot of institutional outreach at one time, and there were a lot of young people who could lead, as I say, much better lives if they just had a bit more income to do some of the things they want to do.

Obviously, housing is still a big problem for disabled people. We are happy to say again that the government in many ways went further than the original recommendation in stage 1 when it



comes to shelter allowance. But regardless of that, if there is not enough accessible housing for disabled people, then it does not really matter; if there is no housing available, it does not matter what the shelter costs are. Often it means that the only alternative, if there is no housing available, is to remain in an institution, which is again an added cost to government. We would like to see more emphasis placed on making houses accessible for disabled people. People often think, "There are some for wheelchair users," but some of the disabilities do need some added accommodations in housing as well.

**1420**

One of the major thrusts of Transitions, and why we called it Transitions, I guess, was that we want to see transition from dependence to independence. Of course one way to do that is with employment, and obviously the supports to employment program, STEP, is a step in the right direction, if you like; but there are still some problems if you reach a certain rate and you have grabbed back 80 per cent of every dollar that you earn.

As I say, there is more there than there was once was; but if you have got high costs, as can be incurred with certain disabilities, there is still not much of an incentive, if there is a job opportunity there, to grab at it. We would like to see still more improvement in this area.

I guess, in a related area, we talk a lot in Transitions about opportunity planning. I guess for disabled people that would mean an improved vocational rehabilitation service. While the VRS does help some people, in some areas of the province there is often a waiting list of over a year and budgets are running out six months into the year.

I was just mentioning a case I heard of last year, where somebody who had the opportunity for employment phoned our office, but VRS had run out of money in August in his or her area. If they want a person now, employers are not going to wait until next April, until they can get the assistance they need. So there really needs to be some improvement in VRS if we do want to help people make this transition from social assistance to employment. I think the costs involved are really worth it. As I say, it would be good if somebody did a cost analysis because I think if you spend \$10,000 or \$15,000 in one year, the benefits would be immeasurable and it would be just great. I guess I will pass it on to Francine; I have talked long enough.

**Ms Arsenault:** One of the main areas I have people making queries about is the assistive

devices program. That program has assisted very many disabled children and adults in Ontario since its inception, but the Ontario government has not honoured its commitment to extend ADP to all equipment categories. Communication aids for people with physical handicaps have not been funded for adults. We have asked that the government expand implementation of the program to cover all assistive devices.

I think many people do not realize that in Ontario, although you are covered up to age 25 for most equipment you need, after 25, if you need braces or crutches, you have to get them on your own or go to an agency of some kind to see if you can get support to cover that cost. If you have hearing problems you can get one hearing aid, but you cannot get two.

Those kinds of complications have got to be settled. I know that the Ministry of Health and the Ministry of Community and Social Services are trying to work together, to liaison, so that some of these problems can be eradicated. I also know that the problem with having vendors and having qualified authorizers for the equipment is that there are not enough right now and there need to be more.

Our recommendation was that the Minister of Education (Mr Conway) liaise as well with those other two ministries to make sure that there are enough training professionals to maybe make it easier to implement ADP.

We talk about special services at home. The specialized services at home program provides funding on an individual basis to parents whose children are disabled and live with them in the community. Over the past several years, this program has assisted many families, yet it continues to be underfunded. Many families are turned away in their request for essential services such as parental relief and language development. It is a very difficult, ongoing program to try to raise disabled children and make sure he has all the needs. There is a real need for parental relief, and often parents are not able to get that.

The Income Maintenance for the Handicapped Co-ordinating Group has joined in an initiative to support the SSAH, that is, special services at home. This is a program that was started by Coalition for Family Support and the Ontario Association for Community Living. We have developed a common set of principles based on recognition of the importance of this program as a primary home support option.

Its funding base needs to be expanded and longer-term commitments made to children and families. The program needs to be expanded to

those not presently served and the principle of consumer control of funds should be maintained and strengthened. The alternative to appropriate family support through this program and other programs is that families break down and there is institutionalization because the families cannot handle the needs of the disabled person. This, in turn, has a high cost in personal terms for the children who lose day-to-day parenting and for society.

One of the other areas that we wish to speak to you about is the effect of the goods and services tax. You will find at the end of your package a report that was made from our national organization, the Coalition of Provincial Organizations of the Handicapped, to the standing committee on finance and economic affairs on the goods and services tax. Also attached to that is Tax Reform and the Disabled Person, a report about income tax reform in 1987. Both of those have pertinent points and maybe you will find some information in there that will support what we are saying.

Our committee believes that the federal goods and services tax will impact on disabled persons more than on other Canadians. The proposed GST credit will not protect low-income people, including those with disabilities, from the adverse effect of the GST because it is not fully indexed. Worse still, many goods and services essential to people with disabilities apparently will attract the GST. These include nonmedical personal attendant care; adapted vehicles; adapted computers; renovations to ensure accessibility; job-related modifications; nonmedical, disability-related services such as speech therapy and language development, and certain specialized education services. If these are taxed, it raises again the cost for disabled persons.

Our last point is that whether these disability-related items are paid for by disabled individuals, their families or agencies of the provincial government, an increase in their cost through further taxation ultimately affects their availability and their affordability. We ask this committee to recommend that the provincial government support our efforts to advocate a more favourable treatment of disability-related items. Thank you.

**The Chair:** Are there questions from the members of the committee?

**Mr Faubert:** One quick one to Ms Arsenault about the assistive devices program. Have you spoken recently with the minister?

**Ms Arsenault:** Yes.

**Mr Faubert:** Is there any commitment to extend that to all devices?

**Ms Arsenault:** I think the commitment is there. The excuse we are getting is that the services are not in place yet. For instance, I sat on the advisory committee and I know you have to have an authorizer and a vendor and you have to have the product that is available. All of those things are not in place yet for some of the equipment that is stalling. The only positive thing we could get was that they would increase the age level one year at a time. This year, if you are 26, you might get a brace; if you are 25, you will not.

**Mr Faubert:** I understand—because, if I might, I have a problem with some people who actually need oxygen, and that is supposed to be included, but it is not. I just wondered whether there was any commitment to some time line from the minister. You must have raised this directly with him.

1430

**Ms Arsenault:** I am afraid each time line that I have heard has been extended another year and another year.

**Mr Watts:** If I may add to that, when we last spoke with officials of the ADP branch, they said there were problems with phasing in certain equipment categories due to the requirement of setting up new policies, procedures and so on. We understood that because each equipment category was delayed a certain amount, so one of the main equipment categories we are quite interested in now is vision and communication aids.

I think the government has realized that statistics show, of course, the incidence of visual impairment increases with age. If you extend that category to all age groups, which was the original intent, it does cost a great deal, and we acknowledge this. We still feel, however, that we do want some clarification as to a time frame that is realistic so that we can let our clients and consumers know what is happening there and also to what extent these items will be covered or not. We are certainly hoping that as many of them are covered as possible.

**Mr Faubert:** If I might, just one other. It relates to the effects of the GST. Surely those are exemptions provided. Have you any indication that those are actually going to attract GST, all those items as listed?

**Mr Beatty:** Are there specific items on the list you would question?

**Mr Faubert:** Such things as personal attendant care, disability-related services, speech

therapy, language development and educational services. Are those going to be taxed?

**Ms Arsenault:** If they are not classified as medical.

**Mr Beatty:** That seems to be the problem. In the Coalition of Provincial Organizations of the Handicapped brief we go into that in more detail. If the care is provided by a nurse, there is no doubt that it is exempt, but where you get into trouble with disability services is if they are provided by people who are not actually health professionals, which is often the case. Some of these are in a bit of a grey area. You could argue either way on the information the federal government has made available.

**Mr Southern:** One point I would like to make in talking about GST is that the tax credit will be paid quarterly and we hope that this government will not detract or take away from people's family benefits. I hope it will treat that just like a tax credit. I hope it will not be given to the people with one hand and taken away with the other.

**The Chair:** Go ahead then, Mr Morin-Strom. I have a question, but I will wait.

**Mr Morin-Strom:** Certainly last year there were a number of presentations, including that of your group, with respect to the Transitions report. The recommendation at that point from our committee as well was to act on stage 1 of that report. In this one you are urging us to continue to make the implementation of stage 1 a budget priority. Should we not be looking at the further stages of the report as well? I wonder if you have any comments to make with respect to beginning to act on stage 2, in particular.

**Mr Watts:** If I may answer that, and certainly the others can help me here, I would say that stage 2 and, to a certain extent, stage 3 are already being acted upon in certain areas, particularly, as I mentioned, the legislative changes that are required to make the rules more flexible, make more people eligible and so on.

Some staff of the Ministry of Community and Social Services have presented to us some of that whole myriad of rule changes and so on. As Mr Sweeney said last May when he was interviewed, they have already started stage 2, and to a certain extent, stage 3. There is some overlap and that is actively going on: the stage 3 things, for example, the disability determination process; the negotiations with the federal government regarding the Canada assistance plan guidelines, and so on. These are very complex negotiations and I think the Ontario government is perhaps

cautious that it does not want to do anything to endanger the Canada assistance plan agreement.

But there are some limitations. For example, the liquid assets area is a CAP agreement between the provinces and the federal government as to \$3,000 for a single person and \$5,000 for a person with one dependent child. This is the amount of assets you are allowed to have before you become disqualified from family benefits. Of course, in modern day terms it is not very much money. You look at the consumer price index, then there has been roughly a 79 per cent inflationary change since 1980 to that particular figure, which would bring, in contemporary terms, the liquid assets rolled more up to roughly \$5,000 single and about \$7,900 for a mother with a dependent child.

To answer your question, I would say that some of these things are happening already and our concern at the present time is to make sure that we look comprehensively at stage 1, right down to the basis of providing dignity to the people who are not yet working. STEP will hopefully enable them to get into the workforce, and we applaud that change.

But for those people who have not yet been affected by STEP and are still on social assistance, we are looking for an increment that goes beyond the six per cent announced 1 January by the ministry, and of course, with inflation in Metropolitan Toronto hovering at roughly 6.2 per cent, then we are looking for something a little bit more than that.

**Mr Southern:** I would really like to see the momentum kept up. I was relatively happy with what the government did last year, but I was a bit disappointed to see that in looking down the groups which are going to present to you, there is certainly not the same amount of interest in social assistance as there was last year. Maybe they thought if we kicked it off well, the momentum would keep on going. But I know, for the disabled community, we are still as concerned as ever about making improvements to the system and we are going to keep right at it. We hope that in future throne speeches and further announcements we can look forward to changes to the system. We hope that stage 2 and stage 3 will not be too far behind.

**Mr Morin-Strom:** Some of those fears certainly are there, that the momentum has to be kept in place to see that the full implementation does occur. One other question related to a factor that has often been a prime focus of presentations from yourselves and other disabled organizations



in the past has been in terms of employment opportunities.

It does not seem that you have put as much emphasis today on the need for ensuring that the disabled are given the opportunity to be able to support themselves through employment. In the past you have been particularly strong in terms of mandatory affirmative action type programs. I wonder if you see any progress there or any further suggestions.

**Mr Southern:** This group intended to deal with mainly economic issues. We are more interested in the Transitions aspect at the moment, but there are some recommendations regarding employment and I touched on STEP. I do not think we have changed our minds. There certainly needs to be strong affirmative action programs and employment equity programs. Most of the groups here today that we represent are involved in the coalition, Disabled People for Employment Equity, which lobbies, obviously, for employment equity, as the name suggests.

I do not think we have given up on that, but I guess we are a bit disappointed that the provincial government, while it has made some moves such as starting to develop targets and timetables within its own ministries—I think that might be somewhat helpful, but I wish it would go further than that and expand that to the broader public sector and eventually to the private sector too in Ontario.

**The Chair:** You might be interested to know that the Minister of Community and Social Services (Mr Beer) will be appearing before the committee on the 24th to do more or less an update on the Transitions report and where we stand and where we go from here. This committee will have some comments, presumably, on that which may help somewhat with your concerns about momentum being lost.

**Ms Arsenault:** May I ask if the observers can take part?

1440

**The Chair:** By all means. It is open to the public. That is two o'clock on the 24th and we would welcome you here at that time. Thank you for taking the time to come again and for making this presentation. It was most helpful.

To the members of the committee, we will have a slight change in the schedule. The representative from the C. D. Howe Institute is here but has just arrived and has agreed that we would go to our deputation scheduled for 3:15, Ed Kolodzie, who is also here. So I call Mr Kolodzie forward at this time. Welcome, sir, to the

committee. We have set aside approximately 15 minutes for your presentation and questions, so you may begin whenever you are ready. Please have a seat so that the microphone picks up your comments.

#### ED KOLODZIE

**Mr Kolodzie:** Lisa is passing out a booklet on productivity improvement and cost reduction that contains 31 articles authored by myself after a lot of extensive research in business and industry. That is for you with my compliments. Normally when I hand out the booklet I also autograph the inside front cover, but I did not go to that extent today.

**The Chair:** I guess we do not get that unless we pay the \$7.

**Mr Kolodzie:** We can work something out. I would prefer talking, because I am going to treat this as an academic session. I am not here to lobby for money or funding; I am here to show you how you can save money and reduce costs, because you need knowledge.

I am a professional engineer. I am also a small-business operator on a part-time basis. I do not talk about low-cost housing, I supply it. I am a landlord for low-cost housing and I also do some part-time consulting and seminar leading, so I have a fair bit of experience in this area. I am trained as an industrial engineer, General Motors Corp. So I think I have some expertise. I also have sat on the other side. I have been a member of city council of Oshawa and Durham region for 10 years. I was defeated about a year and a half ago.

I am here to explain that every single civil servant, a newly created position or replacement, is going to cost you \$2 million. This is in accumulated salary and fringe benefits over a number of years. With that, I would like to draw your attention to the article on page 47. You have this booklet in front of you. The article basically states that every person is going to cost a lot of money. That article was published a number of years ago, but when it was published it said \$1 million. With inflation, the cost of a new position will be \$2 million. It is just adjusted for current rates.

In reverse, every time you reduce a staff member, you are going to save the taxpayers \$2 million. That is right. How much revenue has to be generated by business people out there when they are collecting their eight per cent sales tax? For every eight cents that business people generate out there for you, they have to sell \$1. So \$1 of goods produces eight cents of revenue

for the province—12½ times. So if you are going to hire a civil servant, it is going to cost the taxpayers—over a number of years, and I say it is about 15 years—\$2 million. Business out there has to generate 12½ times that in revenue to pay for that civil servant. No magic, nothing in there, that is it. That is what it is.

That is one principle. So to control costs in government you have to control the number of heads, and you need knowledge to control the number of heads.

What do you get when you hire a civil servant? You get about 1,400 hours of available time per year. That is right. You get about 1,400 available hours per year. How do you get that? Well, 52 weeks, 35 hours a week, multiply it out and that comes to about 1,700 or 1,800 hours. Then you lop off the time you pay the people for not working, like vacations, holidays, statutory, this, this and this, and you end up getting about 1,400 available hours.

In those available hours, are they working or not working? Are they busy or not busy? Are they accomplishing something or not accomplishing something? You have to analyse the work and you need experts in productivity improvement or cost production to help you to do it. How many experts do you have here? A good productivity specialist should be able to easily generate 10 times the savings, but it does not happen.

The other article I would like to relate to you is the one on page 9. Some of you people may know this, but this is something that you can tuck away in the back of your minds and, if you remember anything today, I hope you remember the rule of 72. There is nothing magic about it. Basically, on page 9, rule of 72, it says that you divide your inflation per cent into 72. We have six per cent inflation; divide it into 72. That is 12. That means money doubles in 12 years. If inflation is 12 per cent, and it was about 10 years ago, you divide 12 per cent into 72. That means money doubles in six years.

So at six per cent a civil servant making \$50,000 will make \$100,000 in 12 years. It is that simple. So when you give out raises, keep them down because money just expands and expands and the taxpayers need it. Please try to remember the rule of 72.

The final point I want to mention to you is at page 10. I will just take you through a little exercise. I can tell you certain things and you might remember them. I can show you certain things and you might not forget them. But if I can involve you in something—I am going to involve

you in it—maybe you will understand it and never forget it.

If you want to keep something handy, keep this “The Future of \$1,000” chart. Let’s go down the column six per cent. Let’s say we hire a civil servant at the age of 25. A civil servant has a lifespan of 40 years. How much will that cost the taxpayers in total earnings?

**The Chair:** You could be in trouble if you are asking a question of this panel here.

**Mr Kolodzie:** Let’s go down and see. If you have paid him or her \$1,000 a year, the accumulated figure in the six per cent column down to 40 is \$162,537. Does everybody see that in the six per cent column? If you look down the six per cent column, \$1,000 is \$1,060 next year and is \$1,124 in two years. Then you add those up and it comes to \$162,000. If you pay the civil servant \$50,000 a year instead of \$1,000 a year, you multiply that \$162,000 by 50 and you get a figure of—how much? It comes out to some staggering figure—\$8 million, I think.

Where do you get that money to pay them? From the taxpayers. Where is the best place to get it? From the provincial sales tax. To pay them eight cents, you have to generate \$1 of sales out there in the business community. Every dollar you spend, the business community has to generate 12½ times that eight per cent.

I have tried to get across three points. You have a booklet here. You now know what the rule of 72 is. You have seen the effect of inflation on cost with the six per cent divided into 72. I have shown you this chart. The point I am making is that every civil servant is going to cost you at least \$2 million.

In Saturday’s Toronto Star, I pulled out an ad here. This is Saturday’s paper, and I am going to leave this with you. Here is an ad in that Toronto Star for six people: a senior business analyst, an employment equity co-ordinator, a technical support co-ordinator, a project analyst, a senior planner and a program analyst.

#### 1450

Here is an Ontario Hydro one which is funded by the taxpayers. Here is another one for a systems administrator, a business systems analyst and a security administrator, all \$43,000 to \$51,900. On the back it says, “Queen’s Park...co-ordinator of information systems...programmer analyst...training specialist/technical writer.”

The Ministry of Transportation needs a senior project engineer, human rights officer, computer technologist, senior draftsman. I pulled one out for Centennial College because you are paying

for the college system: general manager, manager, systems programmer, analyst support specialist. I saw an ad for a senior accountant for the University of Toronto and for a senior analyst for the Children's Aid Society of Metropolitan Toronto.

There were 26 of them, all averaging \$50,000. Are they new positions? Are they needed? How much work are you getting out of them? Fourteen hundred hours a year, which averages 28 hours a week. So what do you do? I have been around politics and bureaucracy long enough to know that basically nothing is going to happen, nothing is going to change. They will still keep going on and on, but I hope that something of what I have presented today will stick in your minds and maybe you can make a change someplace.

**The Chair:** Thank you for taking the time to come today and for your very interesting presentation. I do not know if members have noticed the first rule of Kolodzie's first law, "Work efficiency increases when available time decreases." That probably applies to committee work too, when you think of it. The other angle of that is that the committee will expand its work to meet the time available.

**Mr McLean:** I would like to compliment him on his presentation and what he said at the last: If there is something that sticks in our minds when we are dealing with it, it is a good presentation. I like the attitude with regard to the number of new employees who have been hired by this administration, nearly 8,000, since it has taken office. If you just add up what he has told you here today, the extra costs—

**Mr Kolodzie:** Billions.

**Mr McLean:** —that is why our debt has doubled in the last five years. Why we need the extra tax dollars today is to pay those people. So what he is saying here today is absolutely true.

**Mr Epp:** That is why Mr McLean is going to cut down on his own personal staff very quickly: in order to save some more money.

**Mr McLean:** I never spend my allotment.

**Mr Kolodzie:** I challenge everybody to reduce his staff by 10 per cent.

**Mr Polsinelli:** I would also like to thank you for your presentation. I thought it was quite stimulating. Perhaps rather than being an engineer you should have been a lawyer, because you put your case forward fairly well.

**The Chair:** That is not a qualification for being a lawyer.

**Mr Polsinelli:** It seems that in terms of your case, though, you have put forward just your side

and you have not put forward the other side. First of all, in terms of your calculations, you are assuming that government gets all its revenue from the eight per cent sales tax.

**Mr Kolodzie:** Yes, there are other sources.

**Mr Polsinelli:** I am sure you are aware that the civil servants who are hired are also paying income taxes and they are also paying that eight per cent sales tax. So they are paying back a portion of their salary to the government. That, just in itself, decreases the cost of hiring that civil servant.

I guess the more pertinent question is: In terms of a productivity engineer, how would you determine which civil servants are needed and which are superfluous? Essentially, how do you make that determination? Is that determination made by cutting services? If that determination is made by cutting services, which services do you cut?

**Mr Kolodzie:** For a person of my background—I was conditioned and brainwashed by a couple of outstanding professors when I was 18 and 19 and I had a good coach when I went to work at General Motors, so I come from a different background. There are not too many guys who come from my background.

It is easy to do. What you have to do is examine work, not examine the individual. You examine work. A good productivity specialist can go into any organization and with a minimum of effort can show that it is at least 30 per cent overstaffed. I can prove it. I can give you a 20-minute exercise now and you can prove it to yourself. Do you want to go through this exercise?

**Mr Polsinelli:** I think if we applied some of those—

**Mr Kolodzie:** I can prove it.

**Mr Polsinelli:** I am not disputing that. You are the productivity expert and I am not. I am sure that if we look around at the political environs, we are probably 80 per cent overstaffed.

**Mr Kolodzie:** You have to look at work. What is work?

**Mr Polsinelli:** I am assuming that you are correct. But what you are saying then is that it is not just the public sector that is 30 per cent overstaffed; it is all of the sectors, including the private sector. So if that is the case, then it is not something that is endemic to the public sector, but something that is pervasive in society.

**Mr Kolodzie:** You are right.

**Mr Polsinelli:** So then if we as a society have not been able to solve it in the private sector



where people are interested in making money, where the prime motivation is greed, let's say, how do we apply your principles to the public sector to save money?

**Mr Kolodzie:** You are really going in a certain direction, Mr Polsinelli, and you are off track when you slam the private sector. The private sector has to survive or it does not go on.

**Mr Polsinelli:** That is right.

**Mr Kolodzie:** There is no better example than Campeau, and he deserves what he gets.

**The Chair:** Could we focus this somehow?

**Mr Polsinelli:** I am trying to focus it because Mr Kolodzie's presentation is simply one of "Cut back on your staff, because if you cut back on your staff you're going to save money." How do you cut back on your staff? You have to determine what the work that they are producing is and whether or not you have too many to produce that amount of work. Mr Kolodzie has also said that if any enterprise were to bring in a productivity engineer, it could determine that it is 30 per cent overstaffed. If it is a societal problem, if the private sector—

**Mr Kolodzie:** Try the 20-minute exercise.

**Mr Polsinelli:** No, but what I am saying is, if the private sector, which is driven by motives of the bottom line, of making money—what is the prime motivator of capitalism?—if it has not been able to cut away that 30 per cent superfluous staff, how can the government, which has different motivations, those of providing an adequate and good service to the public and not necessarily always the bottom line, eliminate that 30 per cent superfluous?

**Mr Kolodzie:** Private enterprise is doing it. They have productivity people on staff. I know that General Motors, for every 100 full-time people, has one productivity specialist. How many productivity specialists does government have?

**Mr Polsinelli:** I do not know.

**Mr Kolodzie:** They probably do not have—

**Mr Faubert:** George wants a 30 per cent reduction in Liberals.

**The Chair:** I think those are rhetorical, somewhat political questions that are unfairly perhaps being thrown in your direction. You have given us some food for thought.

**Mr Kolodzie:** That is what I wanted.

**The Chair:** As Mr McLean has suggested, maybe some of it will stick.

**Mr Kolodzie:** I hope so.

**The Chair:** We appreciate your taking the time to come here today. Thanks very much.

Our next presenter is from the C. D. Howe Institute, Irene Ip, senior policy analyst. Ms Ip, we appreciate your being patient. Welcome. You have distributed a brief to us, which we appreciate, and I presume you are going to walk us through this brief.

**1500**

#### C. D. HOWE INSTITUTE

**Ms Ip:** We were asked particularly to respond to the possibility of the government responding to a slowdown. In that connection, I started off the presentation with a look at the expected performance of the economy. I would like to emphasize at the start that we are not forecasters, but we look at what other people say and what seems to be reasonable, and I would suggest that if there is a slowdown we are probably in it.

In connection with whether or not the government should take any action to prevent such a slowdown, I would say it would come at the wrong time, since it is likely that the slowdown or perhaps even declines already began in the fourth quarter and are continuing on into the second quarter. It is possible that the recovery is going to be very sluggish, but nevertheless the turnaround will probably have been under way by midyear, so if any measures were brought in in the current budget, then they would likely take effect at a time when the economy is actually recovering.

I have also drawn attention to the fact that the transition period to the goods and services tax injects a great deal of uncertainty, as I am sure you have read. A number of economists have already referred to this. No one is really sure how the demand within the country or the province is going to be affected.

There are certain broad responses that one might expect, with some purchases being delayed and some being advanced. We believe that the net effect is likely to be negative, which means that, overall, the year 1990 is likely to look pretty poor. But for those kind of things, again, the government should not be using its fiscal policy to try to offset the response that the federal government has already initiated.

The other reason why we do not think the government should move towards stimulative fiscal policy is the fact that even if the forecast of the government is correct, we have more than five per cent inflation expected for this year and possibly for the following year. This five per cent is clearly too high. The rate of compounding

makes it clear how many groups in society are going to be affected by this five per cent indefinitely.

The Bank of Canada is clearly set on a path that reduces inflation. Any government, provincial or federal, that tries to buck that trend is going to make the situation just worse. We are going to be living with high real interest rates for even longer, and we have seen what that can do. Given the situation of sluggish growth plus inflation, we think it is totally inappropriate for the government to be stimulating.

In addition to that, we draw attention to what the government itself refers to in its last two fiscal statements, that is, that the growth in Ontario has surpassed that of all the other industrial countries. In fact, if you take three per cent as being the long-term achievable real growth rate, which I think is reasonable, we can see that for six years the rate was far in excess of that.

This is part of the problems of the country now and we believe that the Bank of Canada has had a more difficult time because of Ontario, which has a heavy weight in the country, because even today, with the latest unemployment rate figures, most of the southern Ontario cities are close to full employment. Therefore, a stimulative policy is only going to exacerbate this situation, putting upward pressure on wages and therefore on inflation.

Getting to the actual recommendations that we would have towards the budget, we would look further than this year and look out for at least three years and suggest that there are certain principles that should be guiding the government.

One is that, again, we urge that the government tries to remove any distortions that it has created in the economy with its own policies and to make sure that when it brings in new measures, it looks carefully to see whether these measures are distorting.

It should also be sure that it brings forward a policy that is set in a medium-term fiscal framework. This helps to remove some of the uncertainties of the private sector, which, when presented with just one year's set of fiscal plans, has absolutely no idea what that means for the subsequent years. I think the government owes it to all the actors in the economy to know what is in its mind over more than just one year.

More specifically, we are looking definitely to have more reductions in the net debt-to-GDP ratio and to see a rising budgetary surplus over the medium term.

We realize that the government has taken quite good action in the last two years, but unfortunately, set in a medium term going back to the beginning of the recovery, this was really too little too late. It should have been acted on earlier.

We have referred to the strong growth that the economy had. The government tends to point to its performance by using ratios, and I would point out that most of those ratios perform so well because of the denominator. The GDP was growing so fast. When the GDP falls off, you will see that those ratios will not look so good. So there needed to be more discretionary action, not just simply relying on what the strength in the economy was bringing in on the revenue side. This is where we feel that now the government has to try to catch up with actions it did not previously take.

We are pleased to see that since last year, when we suggested this three- to five-year term for the government's planning, the government did introduce a three-year horizon in the financial statement. However, the kinds of projections are not what we had in mind, just extrapolating from the past with very little rationale as to why those figures have been used, and unfortunately, it shows a widening shortfall, so that the year just ending is at the trough of the deficit and we are to expect an increase if there is no further action.

There seems to be implied in the government's description that what we need is a rise in revenues in order to close this gap. I would suggest rather that if the revenues are not projected to grow any faster than in that medium-term projection, the government should look more closely at its expenditures and cut those to fit the cloth of revenues.

In looking at expenditures, it is very important, to our way of thinking, that all governments do much more in getting a system of priorities. You will always find one more very good program, one more deserving group that needs to have spending from the government. How are you to determine which one should get any more?

Obviously, if you are going to just give money to all comers, then something has to give on the revenue side. Therefore, the only way to run a fiscal policy prudently is to be very sure that all programs are prioritized. In this way, we will not have the kind of ad hoc action that so many governments seem to resort to, which is across-the-board reductions. Unfortunately, this type of action often hits the high-priority programs as much as the low priorities. What one would like to see is the high-priority programs adequately

funded, not just nibbling here and there right across the board.

We would like to see made public this type of prioritization of programs so that the public has some idea of what is seen to be a consensus about the importance of various programs. I would urge that the government do this as soon as possible, because clearly in the future we will have a number of programs that are going to demand more expenditures: programs to do with the environment and programs to do with day care and retraining. There will not be money for these programs unless we see other programs that have now fulfilled their usefulness and must be cut off.

Why should we be concerned with these rising expenditures? The reason for concern is that rising expenditures eventually mean rising taxes, and we cannot ignore the fact that a rising tax burden, as difficult as it is to measure the costs, does bring these costs. Also, it is a very great incentive for people to evade, avoid, or do anything to lower their own burden. Unfortunately, certain groups in society are able to do that better than others, and you find that some groups will gradually bear more and more of this burden. Here we get the inequities being built into the tax system. As far as the government keeps trying to raise the rates of taxes, the base starts to shrink and more and more the people who cannot get out of it get hurt, so it becomes really self-defeating.

I would say that we have reached a point now where we cannot afford to push tax burdens any higher. In this connection I have a few calculations on a table attached to this handout to give some idea of what tax burdens are. Rather than use what the government has done, comparing marginal tax rates across the country, it is far better to get some standardized measure of total taxes and look at them in some way. There are many ways of doing it, but this way of looking at it per capita gives some idea.

In the first column I have included everything that could be called a tax. Therefore, for provinces like Alberta and Saskatchewan, resource revenues were eliminated. If you compare just Ontario with Quebec, you can see how close per capita Ontario taxes are to Quebec's. These figures do not adjust Quebec for the additional tax points that are transferred to it under the federal program. If those were included, Ontario would be the highest per capita rate.

Just to put it into perspective, looking at total revenues, you can see that the Ontario level of

total revenues is higher than that of British Columbia, which perhaps is not the fairest comparison, because it is a have province, not a have-not province. There should be some kind of economies of scale in dealing with government programs. Ontario, with the kind of population it has, should be able to get those kinds of economies of scale. That therefore raises another question as to why the revenues per capita are so high in Ontario.

### 1510

We point out also in this medium context, just as another point on why we are looking for it, that in 1977 the Ontario government did have medium-term planning and there were very powerful reasons given by the Treasurer at that time as to why fiscal planning should be put into a medium-term context. There has never been an explanation given to the public as to why we no longer have that medium-term context.

We have a few specific recommendations. With regard to the personal income tax, we suggest that if the surtax cannot be removed, then it be rolled into the personal income tax. The surtax should be seen as a temporary measure to change the economy if it is overexpanding, to cool it off for a year or two or to try to reduce the deficit. But if it is going to be in there indefinitely, it should be acknowledged and tax rates adjusted accordingly. This is just a question of accountability and honesty in government.

For commodity taxation we again say that perhaps it is not too late for the province to go along with the federal government's GST. I suggest, however, that the province consider being the administrator of this tax. Even if the government does not go along with this, we point out that the provincial government's retail sales tax has many of the flaws that the old federal sales tax also had. It taxes business inputs and it distorts spending in favour of goods as opposed to services. In an economy that is increasingly dependent on the service industry, it does not make very much sense to keep on taxing goods. We think it would be fairer to tax all services and then have a lower rate.

As far as the environment is concerned, we merely point to what we believe is not a very efficient way of dealing with discouraging the use of cars, and that is the fuel efficiency auto tax. We suggest that a better way of dealing with this would be simply an increase in the fuel tax. This should be seen as a second-best measure. Obviously the environmental concerns have to be dealt with in a broader context.



Looking at expenditures, we have focused on post-secondary education and health care, although obviously there are many other things we could have looked at. We would draw attention to the fact that we have just completed our policy review, which is more aimed at the federal government than provincial governments. However, there is a chapter in that which deals with social policies and which is probably of more interest to provincial governments than to the federal government.

Just to summarize that, we say that current programs are outdated. They were put in place at a time when there was a great deal of euphoria about the future growth of the economy and clearly now we cannot afford to have those programs in the context that they are. I think we also have to re-evaluate whether we are targeting those programs properly. As far as post-secondary education is concerned, we merely say that it is not targeted to those in need and we now have a situation where universities are going for deficit financing, which would suggest, as in Quebec, that this is taking over the control of spending from the provincial government since someone eventually has to finance those deficits.

Along with many other people who have advocated it, we suggest a fairer way of financing post-secondary education would be a system of vouchers. We wish to see an increase in tuition fees, particularly for the professional areas, since we do not see any reason to have the enormous subsidies that are given to doctors, dentists, lawyers, etc., who are clearly going to be among the highest earners in society when they have finished. It would be much fairer to other programs in the technical area and retraining if vouchers were used instead.

As far as health care is concerned, we suggest merely that, from the point of view of the Treasurer (Mr R. F. Nixon), he should take a strong stand on what is a tolerable rate of increase of total spending and therefore perhaps put some pressure on the other departments to move more into experimenting with different methods of delivery of health care. In particular, we draw attention—and this is the second year—to the Ontario drug benefit plan, which the Ontario government itself seems to think is growing too rapidly, and to suggest that perhaps the universality of this program is what is at fault. We do not see any reason to give drugs away to people who can afford to pay for them. Neither do we think there is much point in having a completely free good, especially with the evidence of misuse of drugs by the elderly.

**Mr Polsinelli:** My question is related to the tax burden and your calculations as to the tax burden that we carry in this province. You indicate on page 5 that a different way of calculating the tax burden would be to calculate the per capita taxes paid. I understand from your footnote that that calculation is done by essentially taking all the taxes that are extrapolated from the province of Ontario, taken from the province of Ontario, and then dividing them by the population and that would give you the per capita tax burden.

**Ms Ip:** Yes.

**Mr Polsinelli:** That seems not to take into consideration the commercial-industrial base which this province and Quebec have and the taxes that are collected from that sector.

**Ms Ip:** It includes all taxes.

**Mr Polsinelli:** But I am saying the government comparison in terms of the way we like to compare our tax burden is to say how much we are paying in personal income taxes, how much we are paying in retail sales taxes, how much the individual is paying and the particular taxes—

**Ms Ip:** That is not a valid way of—

**Mr Polsinelli:** Hold on. We compare what we pay to what other individuals in other provinces pay. You are putting that aside and you are saying that a better way to do it is the per capita way. But the per capita way also calculates the factories that are out there, the corporations, the businesses that are out there, all the taxes they pay but are not taken when you take the denominator. Because if you put those people at the top, the taxes that are paid by those corporations at the top, when you divide the population, you do not divide it by the population. So the end result is that it will be a much higher figure. It is very logical that the two most industrialized provinces in this country, Quebec and Ontario, are going to have a much higher figure using that analysis.

**Ms Ip:** First of all, you could then turn around and look at Alberta, which has high resource taxes, and that wealth from the resource sector enables the government to keep the taxes lower; likewise British Columbia.

The other thing is that one has to take into account the incidence of these taxes. A corporation is not an individual. Those taxes paid by corporations might be passed on to consumers and might be passed back to the employees. You do not really know. That is—

**Mr Polsinelli:** But you are using those taxes—

**The Chair:** Let her finish her answer.

**Ms Ip:** The thing is, there are accepted ways that have been well tried and accepted in the economics profession as to how to determine what a total tax is, and this is the one. The others bring in so many distortions that you would never, ever come up with a figure that you could lean on. Of course there are problems in this. A corporate tax's incidence might be another province. We do not know. The thing is, the money comes into the government from those sources and benefits the people of Ontario in that way, and the government therefore has to take that into account in setting personal taxes. That is why I use column 2, the total revenues, to show that the government has this amount of money per capita for its programs.

**Mr Polsinelli:** I understand those points. What I am saying is, when we talk about tax burden I necessarily associate that—you would have to, I guess, define that. Is that a tax burden to individuals, to the people in the province? Is that a tax burden to the corporations and the business community in the province or is it a general tax burden that really has no definite underpinnings?

When I think of tax burden, I think of tax burden of the individual. If we are comparing the tax burden of the individual, I would think the per capita taxes paid, according to your analysis, is an improper device to use because it takes into consideration necessarily the corporate taxes that are paid and that unfairly reflects what the tax burden is on the individual.

I am getting myself a little bit mixed up, but I think you may understand what I am saying in terms of how the per capita tax is calculated according to your calculations.

**Ms Ip:** Using your methodology, how would you treat the payroll tax that the province has introduced this year?

**Mr Polsinelli:** I am not saying that I would or I would not treat it. All I am saying is—

**Ms Ip:** I was just asking. You have to make that decision. Would that be—

**The Chair:** I generally find that these meetings are a little more organized if they go through the chair. So if we could try to maintain some semblance of order, I would appreciate it.

**Mr Polsinelli:** Thank you. I am trying to maintain order.

**The Chair:** Are you finished with your questions?

**Mr Polsinelli:** No. She asked a question.

**The Chair:** Do you want to answer that question?

**Mr Polsinelli:** Yes, I do.

**The Chair:** Thank you. Go ahead.

**Mr Polsinelli:** We have a very tough chair. We are not being argumentative. I am just trying to understand—

**The Chair:** I just get a little embarrassed when I lose complete control. I figure that they pay me to keep control.

**1520**

**Mr Polsinelli:** There is a very good presentation that has been made to this committee, and I would like to understand the basis of this presentation. This one particular point is one that bothers me in the sense that when we talk about tax burdens, I want to know what is the tax burden on Claudio Polsinelli, not what is the tax burden on ABC Ltd.

If we are looking at what is the tax burden on Claudio Polsinelli, then what kind of taxes am I paying in this province out of my pocket? How much of my income do I retain after I pay my taxes, be they personal income taxes or retail sales taxes, compared to an individual in Quebec or an individual in another province? That is the way I define tax burden.

What I am suggesting is that the way you calculate your per capita taxes in your presentation does not give me any indication as to what my position is in Ontario compared to a similar individual earning similar money in another province in Canada. That is my simple point.

**Ms Ip:** I would suggest that what might be examined would be other methods that have been used to calculate this burden, some of which give also, I think, a more accurate presentation than the Ontario government has done. Saskatchewan has made efforts to look at individual families and their burdens and put that in its budget.

The Fraser Institute goes even further than we have to calculate burdens. I might refer to the publication Tax Facts, which the Fraser Institute puts out almost annually. There I think you will find that all taxes are attributed to individuals. The Fraser Institute agrees with the C. D. Howe Institute that all taxes are paid by individuals, that corporations do not exist as taxpayers as such. They are not human beings. Only people can pay the taxes. Eventually they have to descend on individuals.

This, as I mentioned, is an accepted way of measuring the burden to remove distortions across provinces. Anybody else who is willing to put forward the intellectual reasoning for their own differing way of calculating it, one would then have to respond to it in that way, but it is

possible to find—you could go to people in any economics department in a university and ask what they thought would be a reasonable way of calculating interprovincial tax burdens. I just suggest this is the way that we believe is the fairest.

**Mr Polsinelli:** Thank you very much. I appreciate that. Now that you have given me the economist's explanation of it, I understand it a bit more and agree with it a little bit less.

**The Chair:** Mr Morin-Strom has been going apoplectic listening to some of this.

**Mr Morin-Strom:** I do not think the main purpose here is to get into philosophical arguments on these kinds of issues. My interest is in terms of the economic projections. Each of the parties will make its own determination as to policy directions as they would react to the economic directions. So my interest starts with your first projection saying that you see a potential average real growth rate of three per cent in the province of Ontario.

We had at least a small survey of forecasts from our researcher, and of the forecasts we have seen, the highest projection is from the province itself, which only said two per cent real growth. Every other projection we have seen is less than that, with a couple of them less than one per cent, which could be potentially even entering into recession in the next year. Can you give us an explanation why your forecast is so optimistic in comparison?

**Ms Ip:** As I said at the beginning, we are not forecasters; it is not a forecast, and I apologize if that was not made clear enough. This is the potential achievement at full employment that we see for the province. That means that this year the province will be underperforming.

We agree with most of the forecasters that it is probably going to be two per cent or less this year, but we ourselves are not doing such a forecast. We are merely pointing out the importance of knowing what the province is capable of on an annual basis over the long term, because if you have too many years above that potential, then you get inflationary tendencies building up, and that is when you need to have a number of years below that potential to cool that inflation pressure. That is what the three per cent refers to.

**Mr Morin-Strom:** What do you see in terms of the possibility of a recession either in Ontario or in Canada as a whole in the next year?

**Ms Ip:** Again emphasizing the fact that we are not forecasters, as I mentioned at the beginning,

it is likely that we are in it already and that it will be over by midyear. We do not think that there are the imbalances in the system such as have occurred earlier; neither are we looking for the same kind of monetary shock that brought about the 1982 recession. Therefore, if we have recession, this is what one might say is a recession with a small r, just a couple of quarters of minor declines.

**Mr Morin-Strom:** So you think we are going to see real reductions in the gross national product for the first and second quarters.

**Ms Ip:** I think it is very possible. There has already been a decline in the fourth quarter.

**Mr Morin-Strom:** Do you think it is possible that has happened in the United States as well or do you think Canada has gone its own way in terms of recession?

**Ms Ip:** Canada and the US usually move together. Sometimes one will have actual declines and the other one will have a slowdown in growth. For most of the years following the war, the US had far more measured recessions than Canada. Canada usually, however, had a slowdown in growth. It is almost impossible for Canada to not follow the US cycles. When we tried to spend our way out of one in the early 1970s we paid for it heavily afterwards in much higher labour costs and prices for almost a decade.

Generally speaking, whichever way the US goes, Canada goes. Of course the auto sector is very closely tied, as well as a number of other areas. I have no forecast for the US. I think reasonable projections by other groups suggesting a slowdown but perhaps not an actual decline, are all very possible. All of this suggests that inflation remains a problem, that real interest rates will remain a problem. That is the important thing to realize out of this.

**Mr Morin-Strom:** I am under the impression that historically we usually follow the US into recessions, with our economy perhaps lagging slightly. But all the business literature, or at least most that I have seen, seems to indicate that the United States is not entering into a recession. Their forecasts are in fact not really optimistic but far more optimistic relative to the Canadian potential for recession.

**Ms Ip:** I think these remarks enforce what we have said, that there is a lot of uncertainty about the state of the economy, that there is a lot of uncertainty about timings. These uncertainties which you are referring to are the ones which should make governments so cautious about



coming in with discretionary fiscal policy in order to remove what may not emerge. I think you are just confirming what we are saying, that the government should be cautious. Since this is the question we are asked to respond to, the budget should not be formulated around a possible recession, slowdown or whatever, since there is all this uncertainty surrounding it.

**Mr Morin-Strom:** Given those uncertainties for 1990, would you say there are even more uncertainties for 1991, given that the GST is coming in 1991? Do you see 1991 as a better year or do you agree with a lot of the assessments that the GST coming into place is in fact a much greater uncertainty and a much greater risk to the Canadian economy than what we are facing in 1990?

**Ms Ip:** I think the risks to the economy from the GST, as it is presently formed, may be exaggerated. I think a lot of people have now gone and reassessed their own views of the impact of the GST. Clearly, as I mentioned in the presentation, 1990 and 1991 are the transition years. There is uncertainty simply because of the way individuals and corporations will respond to this tax in various sectors. Some sectors will benefit from the tax and those sectors are likely to delay their spending. Some sectors will be hurt by the tax and those areas are likely to trigger greater demand in 1990 instead of 1991.

However, it is possible, for example, that the auto sector, seeing a postponement of purchases, might come in with greater incentives. They are going to have a soft year anyway, and that could in itself offset the distortion that the tax will bring in. It is almost impossible for anybody to know with any kind of certainty the reactions of individuals to this tax. So 1990 and 1991 are clearly uncertain years, but not likely to be ones of strong growth, I suggest. That will be healthy. I think Ontario particularly needs three years in a row in which inflation is allowed to be held back. It should not be considered as something that is detrimental to the economy, given the strong growth that it follows.

1530

**Mr Morin-Strom:** Finally, you make a reference to your recommendation that Ontario should merge its provincial sales tax with the goods and services tax. You suggest that may allow Ontario to reduce the rate of the provincial sales tax. I think that is contradicted by statements given to us previously by Treasury that in fact in its calculations, as I recall, the eight per cent provincial sales tax is a greater revenue generator for Ontario than a nine per cent goods

and services tax would be for Ontario, and that in fact to replace the eight per cent sales tax would result in at least a nine per cent goods and services tax in Ontario.

**Ms Ip:** I am not an expert in the revenues generated by various taxes. The government has done calculations and has in the back of its financial statement an appendix including tax expenditures. Here one can get some idea of how much is lost by not taxing various services. If one considers the approximately 30 per cent which the government gets from its retail sales tax as presently structured from business inputs—which I believe is the government's own calculation—it seems, just looking at those figures, that there is enough there to remove the tax on that part and to tax services to offset it.

I would just suggest that they examine these possibilities, look at a broader tax and consider the possibility of lowering the tax. Whether or not that is possible remains to be seen. I would just suggest that in any case the advantages of a less distorting tax which is broadly based and does not discriminate over different types of expenditures would be far better for the economy than the one we have at the moment, which I think is completely outdated.

**Mr McCague:** In a presentation from Treasury yesterday, the claim was made that the GST, at seven per cent I presume, is forecast to cost the province about \$750 million annually. I am not sure where that figure comes from. I think under questioning the ministry staff, in fairness, may not be that sure either, but it may not take into account the fact that they are going to get more retail sales tax on a wider base; the tax is going to be more widely based so therefore it may yield more money. I do not know whether that is balanced, but I fail to see that the bottom of the balance sheet would show that it cost \$750 million more to the province because of the GST.

**Ms Ip:** I gather from this presentation here that it is because the tax falls on the nonprofit sector and other governments that the government directly has to finance.

**Mr McCague:** However, that is not what I wanted to talk about. I think the institute has been leaning a bit more in recent years towards not providing programs to people who can well afford to pay for themselves. Everybody is careful to stay away from those nasty words "means test," but it seems to me that they are sneaking in, both provincially and federally, and now again in a recommendation from you. Whatever you call it, is this something you think

should be applied to more government programs?

**Ms Ip:** We just have a global view that social programs should be targeted, that there is not any particular reason to just make them broadly available without examining the private benefits from various programs to individuals. We particularly picked on the education one because that is a glaring example of inequality. The burden of taxation falls very heavily on many groups of people who never take advantage of post-secondary education. Clearly, the advantaged people in society are those who have.

We know that in real terms university fees have not increased. It is not as bad as in Quebec. Nevertheless, the proportion of total costs of university students who are financed by fees has been falling and there does not seem to be any really good reason why individuals who are going to benefit for many years in the future from this advanced education should have heavy subsidies. It is simply just a major redistribution from poorer people to future wealthy people.

We would suggest there are other ways of doing it. They might consider a loans program if students have a cash-flow problem and cannot get money from banks. But as far as having this heavily subsidized education is concerned, there does not seem to be any rationale, especially with the kind of tax rates we have.

**Mr McCague:** There is a certain stigma attached to the words "means test." Governments over a period of time have resisted coming out and saying, "We're going to give you a means test." For instance, in the education side or in the drug benefit side, how do you target the people who need the help without doing a means test?

**Ms Ip:** I would imagine that you use the same mechanisms that are currently used to decide which people get the guaranteed annual income system payment. The province has in place with its local governments ways of deciding who gets what. I do not know why it should be different for—

**Mr McCague:** Which is a means test.

**Ms Ip:** Yes. If the province were to get together with the federal government and start moving us faster towards a guaranteed annual income, we have a perfect vehicle to objectively assess people's income in some way through the tax return. I think the stigma attached to a means test is a vision of social welfare officers sitting behind a desk while some poor devil comes up and begs for a handout and is treated to this public humiliation.

Many, many programs that we have are tested in some way. The provincial sales tax credit is income tested. I would even suggest that the property tax be completely income tested. I believe senior citizens, regardless of their income, all get a credit, but everybody else has to go through an income testing on their tax return. We have this vehicle, so we should perhaps start thinking income testing rather than means testing.

**Mr McCague:** Okay. Just one more question. Can you expand a little bit on what the provincial government should do with regard to the deficit? You can even bring in the federal scene, if you like.

**Ms Ip:** Overall, the province of Ontario is well endowed. Relative to its share of population, it has a larger sale of gross domestic product. So from that point of view it is in a very advantageous position. As I mentioned earlier, it also has the opportunity of economies of scale because of the structure of the province, the number of people, the size and the weight. It makes it easier to deliver many programs more cheaply than it does for smaller provinces.

In addition to that, for a number of years now we have had this remarkable performance in its growth. During that time, prudent fiscal policy would suggest that deficits are reduced rapidly, and this has not been done. Therefore, we now have to catch up, we believe, because we are probably going to have years of slower growth and we will not have a sort of fiscal dividend that we have had before from that unexpectedly buoyant growth we have had already.

We need to continue to try to work away at bringing this deficit down in order to reduce the amount of revenues that are assigned to servicing the debt. We also need to make room for other programs later on. It is going to be more difficult if we continue to have a deficit or a surplus that is so small that every time there is a blip down in the economy it turns into a deficit again. In order to put the province in a stronger position, we believe that the deficit should continue not just to be reduced, but by now we should be showing a surplus and that surplus should increase.

This is to be measured at full employment to determine that three per cent growth. Therefore, if we turn out to have a year of one per cent, then you would have a departure from that, but in the good times that would follow later on, the province ought to return to trying to bring the deficit back down again.

We are not saying raise taxes or cut massive programs in a year when the province is showing

one per cent or 0.5 per cent growth. We are saying target the deficit at three per cent full employment and allow the automatic stabilizers in the system to determine what in fact the bottom line is.

**1540**

**Mr McCague:** Three per cent full employment? Has that been lowered?

**Ms Ip:** That is real GDP growth. That is not the unemployment rate.

**Mr McCague:** Okay. Is five per cent considered full employment?

**Ms Ip:** It is probably around five per cent in Ontario, yes.

**Mr Epp:** I just have a few short questions. You indicated earlier you are not a forecaster. In looking at your philosophy and the economic policies that you espouse, would it be accurate to assume that you come closest to the Reagan administration or his administrations came closest to emulating your particular policies and foresights?

**Ms Ip:** To some extent, although I would say that the Reagan administration perhaps was not as careful as it might have been at looking at overall programs, I think there were a lot of good intentions that were not fulfilled. What we are advocating is a more careful examination of all programs. I think there is a sense that the Reagan administration was ready to cancel many programs without really examining the goals or whether they were achieving them or how worthwhile they were.

**Mr Epp:** Economists will tell you one of the biggest mistakes he made was the fact that he married himself to a no-tax-increase policy and the poorest people were the ones who were hurt most in his administration, rather than the rich. The rich got richer and the poor got poorer.

**Ms Ip:** I am not saying we are like the Reagan administration.

**Mr Epp:** No, but I asked you—and I am going through the chair—whether his administration would be closest to your particular philosophy and policies and I thought you agreed with me that it would be fairly close except that there were some exceptions in it.

**Ms Ip:** I said in some aspects, in some respects.

**Mr Epp:** Some aspects.

**Ms Ip:** In some respects. The areas in which we would be similar to what was governing the Reagan administration would be our desire to see the private sector carry out more programs that

had been handed over to government and also that the tax burden in general should be lowered, but I agree that the tax burden should also be structured so that the poorer people are not carrying the burden of this restructuring.

That is where we would differ in trying to structure programs and tax systems so that what you would call the low-income earners are not discouraged. I think at the moment we have an incorrect structuring of the tax system and perhaps we should look at Quebec's and try to structure it more in that direction.

**Mr Epp:** My observation on that is that it is the middle class usually that bears the greatest burden. When you are talking about the private sector doing things, it is usually the middle class that does it. It is not the very wealthy who share some of their wealth with the poorer people, except this multimillionaire from Vancouver. Aside from that, it is mostly wealthy people who hang on to their wealth and it is the middle class that looks after the poorer people, if you are going to look to the private sector to do it. It is up to government then to try to tax some of that wealth away from the upper classes in order to give it to the lower classes.

**Ms Ip:** We are not disagreeing with that. Unfortunately, there happens to be a large number of middle-class people and we just do not have enough millionaires to tax them to avoid taxing the middle classes. In line with what you are talking about, that is one of the reasons we picked the post-secondary education system, because it does just that. If you were to look at the educational achievements of the upper middle classes or the wealthy, I think you would find that the proportion that had received higher education was much greater than for lower-income people. We are saying those people should pay more for it. There are more ways of getting the system to be more just than raising taxes and looking at the revenue side.

**Mr Epp:** Another thing and there are two parts to this: One is with regard to the GST. We now have a 13.5 per cent manufacturers' tax. That is a hidden tax. When the GST comes in, supposedly it is going to be an open tax and people are going to be able to see it there. Would it be safe to assume that this hidden 13.5 per cent is going to stay there in many sectors and then they are going to add on another seven per cent GST, in addition to the provincial sales tax? Will people now be paying not only the 13.5 per cent, but another seven per cent GST.

**Ms Ip:** First, I would like to suggest that if Ontario goes along with the federal government



with a joint tax, we are more likely to have an open tax. If Ontario does not go along, I am afraid the new GST will be just as hidden as the 13.5 per cent and it will be harder to monitor it.

The federal government should be urged to have some sort of monitoring system. Other countries that have introduced such a tax have done better when they have had a monitoring system before and after. I think the Ontario government should put pressure on the federal government to have such a monitoring system. It might have more weight in that if it were a little more co-operative in having a joint tax.

**Mr Epp:** What you are saying is that currently they have nothing or are not planning to have anything in place to monitor to make sure that the 13.5 per cent in fact does come off and that the seven per cent is added on in place of it.

**Ms Ip:** It is possible the federal government is planning such a monitoring system. I have not heard about it.

**Mr Epp:** I have not heard of it either, to be honest with you.

**The Chair:** Mr Wilson has said that the marketplace will determine the reduction of the 13.5 per cent.

**Mr Epp:** My last point: You indicated earlier in response to one of the committee members that you thought those people who would be hurt by the GST would delay purchases and so forth and that those people who would be helped by the GST would create greater demand. You spoke a little about the automotive manufacturers, which might be an exception. Is it your assumption then that if we assume it is going to go down from 13.5 per cent to seven per cent for the manufacturing sector, there is going to be an increase in manufacturing next year? Is there going to be a greater demand for their products and is there going to be an increase?

**Ms Ip:** In 1991?

**Mr Epp:** Yes, in 1991.

**Ms Ip:** In some goods the price will presumably fall. Given the marketplace, the potential for falling will be in those goods on which the tax is levied closer to the final point of sale where it is now bearing a tax of 13.5 per cent and will be replaced by a nine per cent tax. Of course all goods have a varying gap between the manufactured level where it is levied and when it finally reaches the consumer. You would have to go through a whole set of goods to see which ones—that is why I say it is very difficult to see how these prices are going to be determined.

We merely draw attention to the fact that there are a number of uncertainties and distortions in 1990 and 1991 created by the introduction of this tax, rather than say we have any particular clarity in seeing exactly how every price is going to be determined. We merely draw attention to the directions in which the tax is going to affect prices and people's decisions.

We have to remember that some people will anticipate what the result will be and may anticipate it incorrectly. I know somebody who thought of rushing to build a house this year because he thought the tax was coming in 1990. There are those sorts of things that you will always get.

**The Chair:** The research officer informs me that the government is talking about opening an office for information purposes where people will be able to call to find out if the product they are going to buy has had the 13.5 per cent, or whatever because it is a sliding scale. The federal sales tax has been taken off but there does not appear to be any enforcement mechanism. They are leaving that to the marketplace at the present time.

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**Mr McCague:** I think the manufacturers' sales tax is being removed at the request of the manufacturing sector, which cannot compete internationally with it on. Surely that is a great policing mechanism in itself. You are never going to catch the guy who presently has a 13.5 per cent tax and decides he is going to leave his price at that level and add seven per cent to it. That would going to be very difficult to do, but I suggest to you he will not be in business very long if he does that.

**The Chair:** I am sure we all hope you are right. I think that is the assumption the federal government is making and it would seem to have some logic.

**Mr McCague:** It is the other side of the argument.

**The Chair:** We are always delighted to hear both sides of the argument. Mr Haggerty, for another side of the argument.

**Mr Haggerty:** I have some questions I want to ask the witness. I have some difficulty. I am looking for some further explanation on some of the suggestions you have recommended this government should follow. If you look at page 4 it says, "The institute looks for the following actions by the Ontario government: Further reductions in the net debt to GDP ratio." If you look at that, I suppose other accountants will tell

you that the debt in the province of Ontario, even the federal government debt, is not as serious as some believe it is.

We had discussions yesterday on it and some of the debt we have here is capital debt that is financed over a period of 10 or 15 years to pay off. Even Ontario Hydro, for example, may take 20 to 25 years to pay off a generating plant or station that it is talking about building, particularly a nuclear plant. They are suggesting they want to build more nuclear plants now for future Hydro requirements. This means they are going to start planning it now. Of course, it may be 15 years before they even get the first power that comes out of it, so somebody has to pay that cost.

Then you go on to say, "No further increases in the tax burden for Ontario residents—defined as the sum of tax revenues levied by all levels of government." If you look at that and you look at page 6, looking at personal income tax, you have suggested, "A surtax should be a temporary measure and if it has no termination date, it should be replaced by a higher provincial PIT rate."

On page 7, you suggest on the environment, "The province needs to work with large municipalities to discourage traffic congestion but meanwhile, a rise in automotive fuel taxes is a more effective way of reducing overall gas consumption."

Then you go on to page 8: "A system of vouchers to students of all post-secondary training institutions is advocated, with an increase in tuition fees to better reflect the personal returns to higher education. Fees for medicine, dentistry and other professional programs should be raised even more given the generally high private returns to such training." Then you go on to suggest some changes in the area of the drug benefit plan.

If you come back to page 4 the last recommendation is, "Restraint in the public sector wage rates that are controlled or influenced by the provincial government."

If you are to increase taxes here, that and the high interest rates all add to inflationary costs. I believe it is suggested by the Treasurer that it takes a normal rate of five per cent increase in the budget just to cover the rate of inflationary cost to operate all government programs in the coming year.

I suggest that your suggestion there, with all the tax increases and then trying to control wages, is a no-win case in a sense, because that is one of the things about which unions and public employees and even the private sector are going

to go out and say: "It's costing us more for the price of gasoline to operate our vehicle to get back and forth to work. We require additional income." So the manufacturing and public sectors will be going for higher increase in wages. How do you stop the inflationary trend if we go for this? High interest rates are one of the major deterrents right now to buying a home.

When you look at that, we are just going around in the circles we have been going around in for the last 30 years. There is just no end to it. What is the solution? If you are suggesting all these increases and then trying to control government expenditures, it is rather difficult for the government to move in that area. I have some misunderstanding of what you are trying to suggest to the committee this afternoon.

**Ms Ip:** I would like to clarify some of the points raised. All the changes in taxes were revenue-neutral. The surtax was to be taken off and replaced by exactly the same amount of revenue, but in the form of a tax. It is simply the way the taxes are raised with which we have a quarrel. So it would not be a tax increase. If the surtax exists on top of the other taxes and it distorts the number of tax brackets, it is in a way, as I mentioned, a dishonest way of levying taxes.

When it was first brought in most people thought it was temporary. Then it got extended. Then the extension date was removed. This is not good for planning. It is not good for people to expect taxes to be there for a short while and then disappear. We are saying the honest thing to do is to say, "We need that revenue, so the tax rate is now going to be 54 per cent or 52.5 per cent of the federal rate." We do not suggest that taxes increase.

Likewise with the fuel taxes. We are merely saying that the increase or additional burden of tax produced by the fuel efficiency auto tax be replaced by higher gasoline taxes. It is just a question of the restructuring of the system in order to achieve the goals that presumably the government wishes to achieve. We are just suggesting different ways of doing the same things. I do not think there was anything here that we intended to be seen as contradicting our overall suggestion that the tax burden should not increase. It is merely a question of doing things differently.

The fees to students are user charges; they are not taxes. I would also mention that as far as the net-debt-to-GDP ratio is concerned, it does not include Hydro; it includes just the government's own debt. As far as the reduction is concerned, by all means governments should borrow in order

to finance capital expenditures. But just as in the case of an individual buying a house and hoping one day to pay off his mortgage, even capital spending by governments needs to have part of the actual capital cost paid off during the years. It is just a question, as I mentioned earlier, of being prudent and running a policy that shows that when you have the money to pay it off, you pay it off more quickly.

During times of high real interest rates, most financial planners would suggest to individuals to get rid of their mortgage first. So this is not a very efficient way of running your financial system. I suggest the same can be applied to governments. When times are good and real interest rates are high, get rid of your outstanding debt. Stop paying at these high rates so that you can use the tax revenues for other programs. That is simply a question of our suggestion to have a more prudent fiscal policy. I hope I have clarified those points.

**Mr Epp:** I think you indicated earlier that the government of Ontario had not decreased its debt. If we look at the facts on that, if we go back to 1982-83 the deficit in Ontario was \$3.2 billion. It was the same in 1983-84. When we go to 1984-85 it was \$2.6 billion; in 1985-86, \$2.6 billion; in 1986-87, \$2.6 billion; in 1987-88, \$2.5 billion. That is when we got rid of Minaki Lodge and a few other large—

**Mr Haggerty:** Suncor.

**Mr Epp:** Suncor and a few other large items that were draining a lot of money from Ontario. In 1988-89 it was \$1.5 billion and in 1989-90 it is \$600 million. So in fact the government, after it found out the kind of difficulties we were in, decreased the amount of deficit that we have.

**Mr McCague:** That is not right. You know that.

**Ms Ip:** The government shows its figures in reference to the GDP, and in reference to the GDP no reduction took place until the last two years.

**Mr Epp:** In fact a reduction has taken place.

**Ms Ip:** Absolutely, but that is not the way to look at it.

**Mr Epp:** Which contradicts what you said earlier.

**Ms Ip:** No.

**Mr Epp:** You said earlier that it had not taken place.

**Ms Ip:** Relative to GDP.

**Mr Epp:** And you are saying that does not count?

**Ms Ip:** No. The strength of the economy determines what you are able to achieve.

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**Mr Epp:** The strength of the economy has shown that we could achieve some of that.

**Ms Ip:** We could have achieved more.

**Mr Epp:** You can always say we could have achieved more. We could have achieved less.

**Ms Ip:** We should have achieved more with that kind of growth rate is what I am saying. That is mostly the way I think you will find credit rating agencies and most economists judge the performance of the government, in relationship to its economic performance, not absolutely.

**Mr Epp:** And I think you will find that most economists rate the government of Ontario's performance as very good.

**Ms Ip:** I do not think economists are thinking the Ontario performance is very good, but your credit rating agencies have now, I believe, raised your credit rating.

**Mr Epp:** Double A and triple A.

**Ms Ip:** It was only, I think, when you started reducing your deficit-to-GDP ratio. There was a period of time when your credit rating, I believe, was reduced.

**Mr Epp:** Yes, of course. It took the government a few years to tackle some of the problems left over. Once it had a chance to do that, it resolved some of those problems. That is very clear. Thank you. I have made my point.

**The Chair:** I do not think we need to be defensive. I think the figures are there and it is a matter of interpretation. We are going to get a new interpretation from Mr McCague right now.

**Mr McCague:** Mr Chairman, I think you try to run this in an impartial way. Our job here is to make suggestions to the Treasurer as to how the budget might be improved. But Mr Epp should, if he wants to use those kinds of figures, tell the whole truth of the matter. Mr Epp knows better than anybody else around this table that 1982, 1983, 1984 and 1985 were very difficult years from an economic point of view. As much as the government of the day hated to see that deficit grow, it just had to grow if the programs were going to be provided.

You have been sufficiently put in your place by our witness now by saying that you should have been doing more. I do not need to do it. I do not protest your saying what a good job you have done if in fact you have done it, but that is one place where you are wrong and I just thought the record should show that.



**The Chair:** We will try not to be defensive if you try not to be defensive.

**Mr Morin-Strom:** Do I get to say, "A pox on both your houses"?

**The Chair:** Yes, sure. We would expect no less.

I have no other questioners. I really want to thank you very much for your presentation. I think it has been most helpful and I am confident that the committee will use it and study it to work on our recommendations. I was remiss in not saying at the beginning that the C. D. Howe Institute was one group that was asked by this committee to come and present, as opposed to responding to the advertisements. We appreciate your putting in the effort that you obviously have done.

Our final presenter of the day is the Affordable Action Housing Group. I have David Thornley, Peter Dewdney and Abby Pollonetsky. Welcome. We appreciate your coming today. Everyone has received a copy of your brief and we invite you to walk us through that brief. I am sure there will be questions at the end.

#### AFFORDABLE HOUSING ACTION GROUP

**Ms Pollonetsky:** I am Abby Pollonetsky. The Affordable Housing Action Group, for those of you who do not know us, is an Ontario-wide coalition that represents the major housing policy, education and advocacy groups in the province. We were established in 1986 following a conference held in Toronto. I have also given you copies of a document, Affordable Housing: An Agenda for Action, which I hope you will take the time to read following our presentation.

We have been involved since 1986 in systematic policy development, lobbying and education aimed at providing a blueprint for solving the housing crisis in Ontario. On the first page of our brief is included a list of the major housing groups and other groups that belong to AHAG. I draw your attention to that.

The member groups of the Affordable Housing Action Group start from the premise that affordable housing can be a reality and must be a priority for the provincial government in the upcoming budget. We welcome this opportunity to appear before the committee today and hope to impress upon you our conviction that the combination of political will and the commitment of appropriate expenditures in the provincial budget will resolve Ontario's housing crisis.

We all know the terrible provincial statistics: more than 40,000 households on waiting lists for

co-op and nonprofit housing, more than 300,000 households suffering problems with affordability, the suitability or physical adequacy of their housing, and in Metro particularly, the grim sight of nearly 90,000 people, women, men and children, lining up at food banks every month.

The Affordable Housing Action Group, through its activities, educational and lobby efforts, continues to work with government in devising workable solutions to Ontario's housing crisis. Ontario has made important strides in the last three years in coming to grips with the housing problems of those on limited incomes. This is the time to maintain and enhance the role of housing as the centrepiece of a social policy which responds to the needs of our most isolated, marginalized and vulnerable people. We feel confident that through our presentation today, you, the committee members present who represent all political parties, will leave with some practical suggestions for meeting the housing needs of hundreds of thousands of your constituents.

I will now turn it over to Peter Dewdney, who is a housing advocate with the Catholic Children's Aid Society of Metropolitan Toronto and a steering committee member of the Affordable Housing Action Group, to be followed by David Thornley, who is a program policy co-ordinator of the social planning council.

**Mr Dewdney:** A social service agency such as the one where I work, the Catholic Children's Aid Society of Metropolitan Toronto, struggles on a day-to-day basis to meet the needs of the most economically vulnerable families. The major stresses facing families today are those of homelessness and poverty. By homelessness I do not mean families wandering the streets but families living doubled up with friends or family, with relatives, or in shelters or squeezed into basement rooms next to the furnace with no kitchen or bathroom facilities or bedrooms for the adults or children.

There are also families who live in more suitable accommodation but because of loss of income or other financial disaster are paying 70 per cent or 80 per cent of their income on rent. Such families have difficulty meeting rental payments and may face eviction every few months.

At CCAS, we see hundreds of such families. Many of them get caught up in cycles of moving from one of the above situations to another, often ending up in substandard housing. We see children who come into care because there is literally no place for them, about 50 to 60 of them

in each of the last three years. We see youth on the streets, we see parents search unsuccessfully for adequate housing for their families to live. Other agencies see the same things, not only with families but for single young adults and others as well.

We cannot properly support a family nor can other service providers support families or individuals who do not have adequate housing and the stability that brings. People suffering from lack of adequate housing suffer not only the discomfort, but a whole host of problems, many of which are debilitating to their health, their education, their ability to find work and their self-esteem.

The more prolonged the agony of these families and individuals the more intense the support they need, but the prognosis for a successful reintegration of these people into the healthy mainstream that most of us enjoy is very poor. The housing simply does not exist.

So agencies like ours and others spend moneys from various ministries addressing the needs of these people, whether it is fostering the children, spending inordinate amounts of workers' time in unsuccessful searches for housing solutions, renting and staffing shelters, providing counselling services, staffing food banks, allocating emergency funds, etc.

Children growing up in these situations see themselves excluded from the Canadian dream. Loss of schooling, of self-esteem, and breakdowns within family life provide them with a very doubtful prognosis for the future. For many of these, the future will include antisocial behaviour, a shortened education with limited employment prospects, difficulties with drug and alcohol abuse and sometimes with the law, initiating a whole new round of agency involvements and government spending. They will form relationships or attempt to form relationships as they get older and have children of their own. The families they form 15 or 20 years from now will represent a new growth of families trapped in poverty and requiring new income maintenance programs.

The people who are currently in dire need of housing had reason to hope when the previous minister stated that if the takeup of the Homes Now program was successful, the province would see that as a signal to continue with similar programs.

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When the Homes Now program was announced the Affordable Housing Action Group supported the minister, since the allocations

under that program together with the allocations already announced under the federal-provincial and Project 3000 programs meant that a potential 55,000 allocations were going to be made within a three-year period in the province of Ontario. This figure was approaching the minimum number of allocations that the Affordable Housing Action Group as well as a number of other groups in the community recommended; that is to say, in the range of 20,000 units per year within Ontario.

A program or a series of similar programs that produced nonprofit housing at that rate would go a long way towards alleviating the pain of the people we are seeing in our agency and the people who are hurting most in this province. We suspect it would also go a long way in reducing the costs of the other ministries in treating the fallout that will surely follow our failure to provide such housing. It is not just socially responsible to meet Ontario's housing needs; it is the wisest way of spending our hard-earned tax dollars to reduce the deficits of tomorrow.

**Mr Thornley:** In your committee's report to the Treasurer last year, full implementation of stage 1 of the Transitions report was identified as the top priority. That report makes a compelling case that adequate incomes and stable, affordable housing provide the foundations upon which other reform efforts ultimately rest. If we are to assist people in making transitions in their lives, in upgrading their skills, in seeking and retaining jobs and in overcoming financial and other barriers to their participation in community life we must ensure that they have a stable base from which to increase self-reliance and self-esteem.

Investments in housing are investments in community stability. They reduce the need for a wide range of other kinds of interventions, as remarks have already alluded to.

Single-parent families and low-income single people are the two largest groups who have not shared in Ontario's economic prosperity during much of the last five years. They are the groups with the fewest housing choices and the lowest incomes in the province. While crafting any budget will involve difficult choices among many competing priorities, we believe that the basic needs for housing and adequate incomes of Ontario's most economically vulnerable citizens must take precedence over other budgetary items.

We note that in the period from 1975 to 1985 the proportion of provincial spending going to the Ministry of Housing declined from somewhere between three per cent and four per cent to

less than one per cent. While there has been a significant move in the other direction in the last three years, housing is still only about 1.2 per cent to 1.4 per cent of the total provincial budget.

It is the recommendation of the Affordable Housing Action Group, therefore, that a three-year plan be devised to increase the Ministry of Housing share of total provincial spending to three per cent.

According to Ministry of Housing officials we have spoken to, the existing program commitments of the government to date will increase the Housing budget to about \$900 million within the next three years even if no new programs were committed to. This, however, would leave between \$650 million and \$700 million in additional funds were the Ministry of Housing budget to be increased up to the three per cent level that could be allocated for new initiatives. Our priorities for such new programs are as follows:

1. Replacing the existing Homes Now program, which has been a highly successful and much-needed program that was designed to provide 30,000 units of nonprofit housing but is now fully taken up, with a program of similar scope over the next three years. This "homes next" program would be fully funded by the provincial government.

2. In addition to that, we would recommend a dialogue with other senior governments across Canada in creating a renewed commitment to a federal-provincial housing program with sufficient funding to provide a comparable number of units.

The community response to Homes Now clearly demonstrates both the continuing need for such a program and that there are resources and expertise in the various towns across Ontario which are prepared to work with the government in getting this housing built.

In addition to those two proposals, we believe there is a need for an increase of \$100 million a year in the capital budget of the Ministry of Housing over and above existing commitments to support the purchase of multiple-occupancy dwellings, particularly rooming houses, to bring them under nonprofit management. Our proposal here is, again, for a three-year program costing \$300 million.

The tragic fire at the Rupert Hotel in Toronto over the Christmas holidays has again underscored the need for bold action in dealing with the housing conditions faced by low-income single people all across Ontario. In recent years similar tragedies have also occurred in Ottawa, London

and in other centres. Many of the older hotels and other buildings in this province which currently house 15, 20, 30 and even more residents, usually in seriously overcrowded conditions, are inherently unsafe and physically inadequate. We must act and act now to ensure that those with the fewest housing choices at least have a warm, secure and physically adequate place to live.

As table 1 illustrates—it is at the top of the next page—it may be possible to free up this amount of revenue with no additional tax increases. In preparing this table we have looked at the increase in government revenues and expenditures during the four-year period from 1984-85 to 1988-89, and then projected the same rate of expenditures for the four years ending in fiscal year 1992-93. To make our overall estimates somewhat more conservative, we have reduced those by 20 per cent, so we are taking 80 per cent of the average increase that occurred over the previous four-year period and applying that to the four-year period ending in 1992-93.

We then increased the share of the total budget going to Housing from its current level up to three per cent and looked at what implications that has for budgetary flexibility related to the rest of the budget. What this demonstrates is that if expenditures and revenues both increase at 80 per cent of the rate they increased over that four-year period, Ontario would actually be taking in more revenues than it is spending, the Ministry of Housing's share could be increased to three per cent of the total budget and on average the expenditures in other ministries would be between 7.5 per cent and eight per cent on an annualized basis.

It seems to us that there is enough scope within the existing fiscal framework to adequately fund housing initiatives without taking away that manoeuvring room in other areas. I will just leave it at that for now.

**Mr McCague:** On the 300,000 households suffering problems of affordability, suitability or physical adequacy, what is the geographical breakdown of those in general terms?

**Mr Thornley:** In general terms, between 30 and 35 per cent of them live in the greater Metropolitan Toronto area. The proportion of renting households with an affordability problem in Toronto is roughly equal to what it is in Hamilton and Ottawa, for example, so it is anything but a Metro Toronto problem only; it is, in fact, widespread in most major cities across Ontario at this time.



**Mr McCague:** At 30 to 35 per cent in Metro, that is less than the per-population ratio. Twenty-five per cent of the population of the province is in Metro Toronto.

**Mr Thornley:** I think in the census metropolitan area it is 28 per cent, but I am not positive.

**Mr McCague:** Then there are pockets of the province where this problem is greater than it is in Metro Toronto. Where would those pockets or municipalities be? You see the point I am getting at. You tell me that 30 to 35 per cent of these 300,000 are in Toronto.

**Mr Thornley:** Are renters in Toronto, yes.

**Mr McCague:** Yet only 25 per cent of the population is in Toronto.

**Mr Thornley:** Right.

**Mr McCague:** Obviously, then, the problem has got to be worse someplace else than it is in Toronto.

**Mr Thornley:** No, actually it would follow that the problem is not as bad elsewhere.

**Mr McCague:** All right; okay, yes. I see what you are saying. Yes, that is right.

**Ms Pollonetsky:** The general point being that it is not just a greater Toronto area problem.

**Mr McCague:** I realize that.

**Ms Pollonetsky:** Sudbury having the lowest vacancy rate in the country came as a surprise to a number of people who assumed that it was Toronto; in fact it was Sudbury.

**Mr McCague:** Then you go on to affordability, suitability and physical adequacy of the housing. Any breakdown of that? Affordability must be the biggest of those three—or is it suitability or physical adequacy?

**Mr Thornley:** The difficulty there is that the 300,000 is a composite. When people look at these things, they want to make sure there is no double counting so that if there is an affordability problem and also a problem with physical adequacy and suitability, they go down as an affordability problem. So often when the information is measured, you in fact understate suitability and physical adequacy because one does not want to double-count.

On the affordability basis alone, there are between 250,000 and 275,000 as of 1987, which may in fact be higher now; I do not know.

**Mr Morin-Strom:** The point I would like to get you to comment a bit about is the province having set a target—at least unofficially I think the minister has said he would like to have 25 per cent affordable housing built as a percentage of new housing stock in all areas of the province.

It would seem to me that the biggest opportunity for that by far is not in Metro Toronto itself but in those growing counties right around Toronto—York, Durham, Peel—where there is a tremendous amount of new housing stock going into place, but it would appear virtually none of it is affordable.

Toronto, in a sense, is a congested city which, in terms of government population projections or forecasts, is not looking like an area that is going to have a lot of major new construction, but there is going to be a tremendous number of people moving into these regional municipalities right around Toronto.

Do you have any suggestions on whether it is wise to insist on 25 per cent affordability in those regional municipalities and what the government could do about that?

**Mr Thornley:** If I could lead off on that, that is not something we have directly addressed in this brief today.

The issue there, as you quite rightly point out, is that much of the housing that has been built in what one might call the urban fringe around Toronto—the four municipalities that are within an hour's drive of Toronto—in some of the local municipalities, 90 per cent or more of the housing that has been built there in the last four or five years has in fact been aimed at only the highest-income groups.

So part of what the provincial government has attempted to address with its housing policy statement is that at least some modest effort will be made to ensure that at least 25 per cent of the housing that is built in these areas meets the needs of most people in the population.

The housing affordability guideline they have created, however, would include families with incomes even up to \$50,000 and \$55,000 a year. It is obviously more than just nonprofit housing; it is affordable home ownership housing as well.

We would strongly favour the idea that the housing that gets built in any community should make an attempt, in some sense at least, to mirror the range of incomes that are housed in that community. It does not make sense, if you have jobs where people are making \$10 and \$15 an hour, to have only \$400,000 homes in that community to buy. Those people have to live somewhere. If you do not build housing for them in that community, they have to live somewhere else and commute back and forth, and that creates all kinds of inefficiencies around infrastructure planning. So, obviously, we are in favour of the 25 per cent affordable housing guideline.

**Mr Morin-Strom:** I guess what brought this up was that we had the hearings on Bill 20, the lot levy legislation, during the fall, and we had a lot of presentations from those regional municipalities. Their attitude, particularly from some of the highest-growth municipalities, was that they had no interest whatsoever in the development of affordable housing in their communities; they did not think their constituents wanted affordable housing. I remember one mayor saying it had never even been brought up as a subject for discussion as to whether the community should even have a policy or an objective of having any affordable housing.

When we have projections of something like an increase of one million people in the populations of those regional municipalities over the next 10 or 15 years, I think, there is a tremendous amount of housing stock going to be built in them. It would seem to me to be to the advantage of this area of the province to insist that there is a balanced housing stock, not all oriented towards single-family, higher-income individuals.

**The Chair:** In fairness, one of the difficulties of generalization is that you catch people in that generalization. I was not a member of the committee at that time, but it was my understanding that the primary complaints about that were coming from one major region to the north. I know that in my regional municipality, Peel, and in Ottawa-Carleton there have been many housing programs started, and quite successfully. In fact, I am a past president of Peel Non-Profit Housing Corp, and we have been very aggressive in the nonprofit area. I certainly recall the one mayor's comments, which I thought were rather outrageous, but I do not think it was a province-wide attitude in the large, fast-growing regions.

**Ms Pollonetsky:** One thing we have characterized the not-in-my-backyard syndrome as meaning is that people do not want to have people like themselves living next door to them. Frankly, when we look at the amount of money that is being asked now for first-time homes, they are absolutely out of the reach of the majority of the people in this province. There is just no question about that.

This is not particularly germane to this committee, but one of the primary focuses of groups like the Affordable Housing Action Group is to do that kind of education and make sure that "not in my backyard" becomes a "yes, in my backyard" in the work we need to do.

We were trying to give to you a lovely blueprint here about how we project that the percentage of expenditure on housing can go up without providing an additional burden to the taxpayers of this province. We thought this might be able to make headlines, in fact, that we have what we believe is a practical way of dealing with the housing problems in this province without putting an additional burden on the taxpayers.

**Mr Morin-Strom:** Let me thank you very much for making the presentation. I do not believe that housing concerns have been a major focus of this committee in recent years. I cannot recall very many, if any, presentations from housing groups. I notice there are several presentations from housing and real estate associations before our committee, so perhaps this year it will be an issue we will get an opportunity to tackle, with some meat in it.

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**Mr Faubert:** I too would like to thank you for coming. I just want to clarify a couple of points here.

In your recommendation, are you saying to continue homes now at the same rate, or at a lower rate, than existing? You are thinking about the same rate, right, 20,000 units per year?

**Mr Thornley:** Yes, the same scale.

**Mr Faubert:** But you obviously want the provision of housing somewhere in that 20,000-a-year range; so you are saying to augment that with a federal program of another 30,000 units. Is that correct?

**Mr Thornley:** Basically what we are saying is that we think there needs to be a package of nonprofit housing programs in the province aimed at developing 20,000 units a year. We recognize that it is not realistic, given the whole history of housing programs in this country, to expect the provincial government to let the federal government completely off the hook and just say, "If the feds will not give us any money, we will do it anyway." We thought it was a major initiative on the part of the province to launch the Homes Now program. There is clearly a need for that program to be maintained. We also still believe that a program roughly double that size is required, but we feel it is appropriate that the rest of the units come from a jointly funded federal-provincial initiative.

**Mr Faubert:** The other point I found interesting here was the talk of multiple-occupancy buildings under nonprofit control management. That exists now. In other words, you can still

build now on the provincial scheme, but the point is you are asking that the program be expanded.

One of the problems you may have, which was touched on earlier, is that you have a great need, other than within the city of Toronto, to build what are called rooming or lodging houses. I think many municipalities oppose the private development of rooming and lodging houses but, if you are talking about bringing them under nonprofit control management, they may be more acceptable to municipalities.

I am just wondering whether you have made presentations to municipalities in the greater Metro area to accept these within their planning scope. Now, in any other area in Metropolitan Toronto, I know there is no such thing as a rooming or boarding house.

**Mr Polsinelli:** A legal one.

**Mr Faubert:** A legal one, Mr Polsinelli reminds me; right. So, in the absence of legality, many illegal ones are being developed, totally uncontrolled and creating the potential for problems that you refer to in this report. I am just wondering whether you have suggested to municipalities that there is a way around this. In other words, when you are talking about legality, do you talk about the nonprofit rooming houses and that it might be more acceptable to them? I am just wondering if you have made presentations to cities on that basis.

**Ms Pollonetsky:** A coalition has just been formed as a result of the terrible fire that happened at the Rupert Hotel. There was a presentation made yesterday to the Minister of Housing (Mr Sweeney) and the Minister of Community and Social Services (Mr Beer), hosted by the mayor of Toronto. Actually, you were there. Were any of those recommendations put?

**Mr Thornley:** We are in the very early stages of this. At the present time we have established a dialogue with the Minister of Housing and with the mayor of Toronto around the issue, in the city of Toronto specifically, but we are looking for a provincial program that would see this happening in other areas at the same time. I recognize that in doing that there needs to be an education process around that. The new language in the housing policy statement mandates that multiple-occupancy, single-person housing has to be provided for now in official plans.

**Mr Faubert:** That is the point. I think you can appreciate also that it is not provided for and therefore they just pretend it does not exist. There should be some incentive to bring them on side

and also to educate them in the need for it within the municipalities in Metro because there certainly is need. I just wondered if you had taken that approach.

**Mr Thornley:** As I say, we are at the very early stages.

**Mr Faubert:** It seems to focus on Toronto as opposed to the other area municipalities.

**Mr Thornley:** Yes.

**The Chair:** As a bit of a supplementary to that, Bill 128, which was recently passed by our government, has caused municipalities some concerns because it rightfully, in my opinion, prohibits discrimination of who can live together based on their relationship. But at the same time there is a concern that perhaps it is leading to a proliferation of these rooming houses and boarding houses, without any kind of infrastructure or plan in place. Indeed, a group like yours might well talk to some of the municipalities—I can certainly have you talk to mine, because I have had a lot of involvement with this issue recently; but you could show some real good leadership in that area. It is an idea for your thoughts, perhaps.

I have no other questioners, but I want to thank you. I think maybe you have pointed out a focus, as Mr Morin-Strom has suggested, that this committee might wind up looking at very seriously in our report to the Treasurer with our recommendations. Perhaps we have shared some learning experience here today as well. Thanks for coming.

Any other business to come before the chair?  
Mr Faubert.

**Mr Faubert:** We had the Income Maintenance for the Handicapped Co-ordinating Group before us. In one of their recommendations, they asked the committee to recommend that the provincial government support the efforts to allocate more favourable treatment of disability-related items under the goods and services tax. I have their report, which is appended to that; it is their presentation to the standing committee on finance and economic affairs related to the GST. I would like to ask research if they could get a comment from the ministry responsible for disabled persons to see whether it conflicts with anything in ours. If they are asking us to adopt this, I would just like that clear.

**The Chair:** We will refer that to Ms Anderson. Does anybody have any concerns with that?

**Mr Morin-Strom:** The point needs to be to determine whether in fact some of those items are going to be taxed.



**Mr Faubert:** No. Actually, they are asking us to support their position on the GST, and I am saying that perhaps we could just run this by the minister. I do not know whether the ministry responsible for disabled persons has seen this presentation, and I just want its comment on it to us. They are asking us to support the position, or recommending the support of the provincial government of their position.

**Mr Morin-Strom:** So you want to forward it to them?

**Mr Faubert:** That is right.

**Mr McCague:** I think, though, in no way should we presume, not having seen it—is this the one they did—

**The Chair:** They handed it to us today.

**Mr Faubert:** Yes; appendix B of that report.

**Mr McCague:** We would have to take a look, Mr Chairman, at whether it is our function to be endorsing what somebody said or whether our function is to write a report which may give a citation to them for having brought something to our attention.

**Mr Faubert:** Really, we are just looking for information at this point.

**The Chair:** I take it the request is just for the ministry to respond to their paper to us.

**Mr Faubert:** That is right.

**Mr McCague:** Fair ball.

**Mr Faubert:** Fair ball.

**The Chair:** Thank you. That is agreed then. Anything else? We stand adjourned until tomorrow morning at 10 o'clock.

The committee adjourned at 1640.

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# Hansard

## Official Report of Debates

### Legislative Assembly of Ontario



**Standing Committee on Finance and Economic Affairs**  
Prebudget Consultation

**Second Session, 34th Parliament**  
Wednesday 17 January 1990

Speaker: Honourable Hugh A. Edighoffer  
Clerk of the House: Claude L. DesRosiers

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Wednesday 17 January 1990

The committee met at 1006 in room 228.

### PREBUDGET CONSULTATION (continued)

**The Chair:** Good morning, ladies and gentlemen. Welcome to the standing committee on finance and economic affairs, where we will be hearing deputations this morning and this afternoon on our prebudget consultation process.

The first group this morning is the Co-operative Housing Association of Ontario, Dale Reagan and Tom Clement. Are they here? Good morning and welcome. Thanks for coming this morning. We have set aside about 30 minutes for your presentation and questions back. Due to our schedule this morning, we are going to have to try to stick as closely to that as possible. Please begin when you are ready.

### CO-OPERATIVE HOUSING ASSOCIATION OF ONTARIO

**Mr Clement:** Thank you very much. I am Tom Clement, the president of the Co-operative Housing Association of Ontario. What we would like to do is highlight the brief and then leave some opportunity for questions and discussion with your committee.

I would like to take this opportunity to give you a little bit of background on our association. We were formed in 1987, and CHAO, as we call our organization, works quite closely with other groups involved in nonprofit housing, including the Affordable Housing Action Group and the Ontario Non-Profit Housing Association.

Some of the main features of the way that CHAO is organized are: We are a co-operative ourselves; we are owned by our members; we are a democratically controlled organization; we have different categories of membership and 12 of our members are resource groups. Resource groups are community-based groups that deliver housing across the province.

We also have a staff association within our membership representing the interests of workers in housing co-ops, and we have six regional federations spread throughout the province, ranging in size from a federation of about 12 co-ops to the largest federation, which is here in Toronto, with over 100 housing co-ops.

The federations work closely with CHAO to provide a support network for existing housing co-ops, offering education services and a variety of other services, including services like conflict resolution. We try to provide services that will encourage the co-ops to be self-managed. Throughout the province there are about 350 co-ops representing about 23,000 units. The reason we are here today is that we would like to speak to you and make a recommendation that another large housing program similar to the Homes Now program be included in the budget. We feel this is very important.

There is a huge demand for housing in the province, and I will be giving a little bit of background to it. We think some of the main features of the program, a program that sometimes has been called Homes Next, should be that it include options for people who are looking for nonprofit housing options that would include a landlord-tenant type of relationship, also the co-operative option—we feel that is very important—and also that the program not just include new construction. There are tenants in many cities who are living in buildings that have become severely run down and are constantly contacting us, hoping to turn their buildings into democratically controlled co-ops.

Just to look back on the Homes Now program, which has been a very successful program initiated by the government, it was initiated in 1988. It has sometimes been called Project 30,000. That is because the goal of the program was to deliver 30,000 units throughout the province. One of the fears was that there would not be the capacity to deliver the 30,000 units. In fact, the demand for those units far exceeded the 30,000 supply, and by the end of this December, all units had been allocated to various community-based groups throughout the province. The program is for nonprofit and co-op housing.

Unfortunately, there seems to have been quite a dramatic shift recently in our dealings with the province. Now there is talk that nonprofit housing is very expensive. There has been talk of looking for alternative ways to provide nonprofit housing. Unfortunately, we do not seem to be looking at alternatives right now, because there is no new program to replace Homes Now. There



seems to be no new program in the works, and we are increasing contact with the province.

Unfortunately, this would only leave us with one program to deliver housing in the province, and that is a cost-shared federal-provincial program, the FP program, as we call it. Unfortunately, the federal government has been decreasing the amount of money it has made available to the program. The goal of the program was to deliver somewhere around 6,700 units, and it probably will drop below 5,500 units for the whole province of Ontario.

The situation in the province is severe. Over 60,000 people are paying more than 30 per cent of their income on shelter. Figures that were developed during the International Year of Shelter for the Homeless indicated that conservatively there are probably about 200,000 households in Ontario that are homeless. So there is clearly quite a demand for housing in the province.

Our concern is that, in whatever program we develop working together with the province, we not make the mistake of simply targeting the very poor; that we look for some income mix. We cannot make the error of ignoring moderate-income people. Moderate-income people still need housing. The dream of home ownership in the province is becoming just that; in fact, it is a dream for many people. Currently, in Toronto, to buy a resale house you would need an income of about \$100,000, and only four per cent of the population would be able to access that. So developing any program to shut out moderate-income earners would in fact be shutting them out of virtually any housing option.

I know that in the organization where I work, the Co-operative Housing Federation of Toronto, we have somewhere between 15,000 and 20,000 phone calls a year from people trying to get into co-op housing. Over the past few years, with all the programs, federal and provincial, in the Metro area, we have been developing only 400 or 500 units of housing. Across the province the situation is similar to Toronto, although Toronto is certainly the most dramatic.

Since 1985 house prices have doubled in the province, again putting housing out of reach for more and more people. Eight out of 10 cities in the province have a vacancy rate of less than one per cent. If you want to look at the Ontario Housing Corp list, 42,000 families are waiting to move into Ontario Housing.

Many people are looking to move into co-op housing. I think that one of the main reasons why more and more people are looking to move into

co-op housing is because, with the option of home ownership becoming less and less likely, people are finding that they want to have a stake in the housing and they are actively seeking co-op housing because it is democratically controlled and they can make decisions that influence their day-to-day lives in housing. Co-op housing definitely gives people a stake in society.

There is a new neighbourhood being developed in the Metro Toronto area just to the east of St Lawrence which is now called Ataratiri. A survey by the city of Toronto indicated that about 65 per cent of the people who were seeking housing there preferred the co-op option if they were seeking nonprofit housing.

I am going to turn the rest of the presentation over to Dale.

**Mr Reagan:** I just want to pick up on a point that Tom touched on earlier. When we are talking about the kind of program that we feel the government should be funding, I think it is very important to include not only new construction housing but also acquisition and rehabilitation of existing housing. Certainly most of the work that the co-op housing movement has done has involved new construction, but our experience has told us that to meet the full range of housing needs, a different approach is necessary in some communities.

In many major urban centres finding affordable land, of course, is virtually impossible, yet the centre of the cities, where facilities are, transit exists, family and work, is our most desirable option for housing people. In such cases, existing rental stock acquisition is a sound and practical option. We want to stress that this option allows rent-geared-to-income assistance to be provided in areas where it would otherwise be impossible to do. We believe this contributes to stabilizing and maintaining socially integrated communities.

We have to recognize that most poor people live in private rental housing. About 82 per cent of social assistance recipients, for example, are housed in the private sector, and in Metro Toronto those people are paying 64 per cent of their benefits each month on rent. So to deal with this kind of affordability problem, in some communities we need to ensure that the acquisition of existing rental stock is possible.

I want to just touch on a couple of other government housing initiatives that we feel have been very important and that a new nonprofit program is needed in order to complement.

The first is the initiative under the Planning Act requiring that 25 per cent of new housing be made affordable. If we assume that somewhere around 80,000 to 90,000 units per year of housing will be developed in the province, then it is easy to calculate that over 20,000 of these units would have to be affordable in order to meet these planning guidelines.

In some communities clearly it is possible for these affordable units to be provided by the private sector. However, in many other communities, in fact in most, particularly those with greatest need, the prospect for producing any significant number of affordable units through the private sector is poor. Quite simply, government assistance is required.

Municipalities are charged with the responsibility of implementing these planning guidelines but, of course, are powerless to act. They do not have the programs to fund the necessary non-profit housing. So to fully realize the promise of the very important Planning Act initiative, sufficient nonprofit allocations must be forthcoming.

Another government housing initiative, the Housing First policy on surplus government lands, has the potential to make a very important contribution to the supply of affordable housing. But again, without a major new housing program we face the prospect that because of a shortfall in nonprofit allocations, combined with the kind of not-in-my-backyard resistance that we are all familiar with, the bulk of the housing developed on these provincial lands will end up being privately owned housing that is accessible only to the upper 40 per cent of people in our society.

I want to stress that we feel it is necessary to act now with a follow-up program. While we are being told that there are still units being delivered under the Homes Now program and, in fact, there will be for a couple of years—and that is true; there is no question about that—based on our experience with Homes Now and other programs, we recognize that it takes a year and a half to two years between the point at which a program is announced and the point at which you actually start to provide the housing. So any time we delay now will only build lag time into the delivery of affordable housing down the road.

**1020**

Finally, I want to address the question, can we afford such a program? I believe you heard a deputation yesterday from the Affordable Housing Action Group, and its message is very much our message on this matter. There are no cheap solutions. Housing is expensive. But I believe

that the social and economic costs of inaction are far greater. We can see the warning signs in the growing queues at food banks, the reluctance of businesses and their employees to relocate in southern Ontario and the growing number of homeless people throughout Ontario.

As we are all aware, just before Christmas we had the grim illustration of the price paid by poor people who have very few housing choices and are forced to live in overcrowded and unsafe accommodation such as the Rupert Hotel. If we are looking at the costs involved, society pays as well, very directly, in the increased social service, health and policing costs that follow when people are homeless or are spending so much of their income on shelter that they cannot afford to meet other basic needs.

If we begin from the premise that safe, secure, affordable housing is a fundamental human right, the question becomes not "Can we afford it?" but "How do we find the resources?" I think the starting point is to recognize that nonprofit housing is the most cost-effective solution. Unlike housing produced under other programs directed at the private sector, nonprofit forms of housing are removed from the inflationary influences of profit and resale, and the nonprofit housing becomes a unique public asset. It remains permanently affordable.

I think it is important to recognize as well, if we are looking at what these things cost, that when compared to spending on other social programs such as health and education, the housing budget remains extremely meagre. While provincial spending on housing is increasing, it still only represents, in 1989, 1.3 per cent of the total spending, and we compare that to the three to four per cent that existed in the mid-1970s.

Even when the subsidies on the Homes Now program are fully mature, which we are aware that the Minister of Housing (Mr Sweeney) is concerned about, the provincial housing budget would still only represent less than two per cent of the total budget involved. To put this in another perspective, in 1989 land transfer taxes were expected to produce \$100 million more in revenue than the entire Ministry of Housing budget. So we believe, bearing this in mind, that the initiative can be afforded.

It is beyond the scope of this brief to suggest to you where the additional revenue can be found, but I have included three suggestions which we believe would warrant further exploration.

The first is re-establishing the housing development fund that was set up in 1988 to use money



from the sale of government-owned land that was not deemed suitable for housing. It was dropped last year as a separate fund, with the revenue simply going into consolidated revenue. We believe that by targeting that money to the development of more affordable housing, there would be a source of revenue that would be easily justifiable.

The second is that there are projections on many fronts at this point that the Toronto area commercial concentration tax will be generating dramatically more revenue than was originally budgeted. We believe there is a rationale for directing some of that surplus revenue to affordable housing programs in the greater Toronto area, and that that also could be easily justified.

Third, CHAO is on record, along with other housing advocacy organizations, as recommending a land speculation tax. We are not doing so primarily because it is a revenue-generating mechanism. Our concern is to ease, to dampen the increase in housing prices caused by speculation, but revenue from such a tax could very suitably be targeted to the development of affordable housing.

I want to close by saying that the government has shown a very real willingness to begin to address Ontario's housing problems. We have had a major and important supply program. We have had the initiatives under the Planning Act and the decision on the use of surplus government land. However, these have only just begun to address the problem. The crisis remains and now is not the time for the government to begin to pull back.

The report produced by the minister's advisory committee on the International Year of Shelter for the Homeless recommended that the province fund 14,000 nonprofit units a year. The Homes Now program has given us the opportunity to begin to meet that target for a couple of years.

We call upon the government to include in the 1990 budget funds for a follow-up program to Homes Now in order that we can continue to meet those targets and begin to address the need.

**Mr Morin-Strom:** Thank you for your presentation. One of the presentations yesterday, as you indicated, was on the area of housing needs across the province, particularly here in the Metropolitan Toronto area. I think we still have a couple of other groups to come before the committee with respect to housing and real estate concerns before we will be finished here.

I find helpful as well the fact that this group has provided us with some suggestions in terms of

possible revenue sources. I know that in the past we have had difficulty in terms of coming up with suggestions on how to fund new programs, often with group after group coming and asking for more government funds but not suggesting what the cost benefits might be or what opportunities there might be for revenue generation to support their initiatives.

Certainly I was quite interested to see that the land transfer tax alone is collecting more for the provincial government than the whole Ministry of Housing budget. How can it have happened that the Ministry of Housing budget has dropped from, as you say, in the mid-1970s, from three per cent to four per cent down to 1.3 per cent of the budget? Do you feel governments have really been letting our people across the province down in terms of generating low-cost, affordable housing?

**Mr Reagan:** I think the promising thing is that the direction of the total spending on housing is going up. It was much lower than that a couple of years ago before the government started to get into the business of working on supplying nonprofit housing. We have nothing but very strong support for the initiatives, first, in the federal-provincial program, cost-shared, and in the Homes Now program. That is moving us up from 0.8 per cent in 1984—I am not sure if that is the right figure but something like that—to the figure we are talking about. So we believe it is moving in the right direction.

Our concern is the resistance we are hearing now, "We can't afford it." We are providing these kinds of statistics, we hope, to put that kind of statement in perspective. We believe that even with another new program on the scale of Homes Now, the total spending as a percentage of the provincial budget would remain relatively low, especially when compared to other social service costs.

**Mr Morin-Strom:** One of the concerns you brought up had to do with the contention in some circles that nonprofit or co-operative housing has become too expensive. You have not provided specific figures. I wonder if you have them in terms of what the per unit cost is for those sectors of housing and how that would compare with the per unit cost for private sector housing, especially in the Metropolitan Toronto area which I would think is rather astronomical.

**Mr Reagan:** We do not have the figures off the top, but I think what we can say is that we produce housing in the same way as the private sector produces housing, by using private sector organizations to do the building, to do the



developing. As far as the costs of actually putting the product in the ground are concerned, the costs are the same.

The benefit you achieve of course with nonprofit housing is that once it is up and running it remains affordable. There is no increase in costs as a result of profit or the sale of real estate and the passing on to the residents of the costs of refinancing. That is where the cost of operations is significantly lower than it would be if it were in the private sector.

Canada Mortgage and Housing Corp is currently engaged in a review of all federal co-op housing programs. We will have some more statistics on that when that is complete. When they did a similar survey in 1985, it was noted that the cost of the operation of co-operative housing, in turn, as compared to other forms of nonprofit housing, was significantly lower. I forget the exact percentage, but it was in the ballpark of 20 per cent. So we argue further that there is demonstrated evidence that the management of a co-operative form of housing is a more cost-effective option. It is at least a very cost-effective way of delivering nonprofit housing.

1030

**Mr Morin-Strom:** Finally, if I can ask about one other point, you say that the cost of putting the housing in place is similar to what it would be in the private sector in terms of the construction cost itself. I guess the real problem in Metro Toronto, though, is not the construction cost; it is the cost of the real estate and the cost of the profit that is being taken.

Obviously there are houses being built in northern Ontario, for example, and being put on the market—the same house—for half the price of a house in Metro Toronto, so it is not the construction cost itself that is causing the astronomical prices. It has to be either the cost of the real estate or the profit that is being made on the construction. I would guess that if your type of housing can take advantage of eliminating some of that profit incentive and profitability that comes from the land speculation, there would be opportunities to bring in the cost of housing at a lower price than what is going on the market now.

**Mr Reagan:** For sure, and another way to deliver a portion of the housing cost-effectively is to make use of provincial government lands, which is beginning to happen, and we are concerned that this very limited resource be used as far as possible for nonprofit housing because

of just the kinds of cost problems you have described.

**The Chair:** I think some of the cost concerns were reflected in the cost of the ongoing subsidy for 25 years that has been mentioned as well.

I would now like to go to the person who brought us Homes Now, Chaviva Hošek.

**Ms Hošek:** Thank you very much. Thanks, Dale and Tom. I am sorry I was not here for the beginning, but I did read your whole paper.

What I am interested in is, first, if you have done any analysis on the other kinds of benefits to building nonprofit housing, especially in large urban areas. Have you done an analysis, for example, or do you have any hunch about the relationship between doing this kind of building and the impact on things like transportation? I am interested in that kind of connection. We do not often put the pot of money in the Ministry of Transportation next to the pot of money in the Ministry of Housing, but I think there is a connection there.

The other thing I am interested in is whether your organization has done any analysis of this way of building housing and its role as an investment. We tend to look at this as an expenditure—the province is spending X dollars over 35 years to sustain the people who are living in this housing—but the buildings do not disappear during this period. There is real property there which over time increases in value even if there is no speculation on it. I am interested in your thoughts on those two topics.

**Mr Reagan:** As far as the cost savings in other areas are concerned, I think at this point we are just in the process of trying to pull together that kind of information to document what we believe to be true from our experience, but we do not have figures to back up the kind of contention that if you develop housing where people live and work there are going to be cost savings in other parts of the infrastructure, for example. I think it is an important area for us to be able to document and we have begun work on some of that.

As far as building into looking at the cost benefits the recognition that, as you say, those buildings do not disappear, that is certainly the kind of argument we have been making and are attempting to document as well.

For example, a lot of you will be aware that there was a lot of concern expressed by the acquisition of City Park apartments and the cost of that acquisition. I guess we would make a couple of comments there. First, it was a competitive process and the successful nonprofit bidder ended up paying marginally more than a

private sector investor was prepared to pay. The market value was paid, but if those buildings had been acquired six or seven years earlier, they could have been acquired for dramatically less and would be continuing to provide affordable housing at this point with significantly less subsidy provided by the government.

Yes, that is the kind of argument we are trying to make, that acquisition of that housing takes it off the inflationary market and saves costs down the road.

**Mr Clement:** The other cost saving the different levels of government are able to benefit by is that people moving into co-op housing often would essentially lose their stake in society if they did not move into co-op housing. We provide them with an opportunity to secure housing and to get on with the rest of their life. We do not have statistics on that, unfortunately. We can certainly provide countless examples of people who have definitely benefited by moving into co-op housing, people who have come in in special needs units and ended becoming actively involved both in the co-op and the greater community.

Examples are teenage mothers who have come in with the support group Jessie's Centre for Teenagers and go on to be the president of the housing co-op and go back to school and later eventually get on with the rest of their lives instead of having their lives just go completely down the tubes, which often happens if we are not able to deal with the housing problem. Although we do not have great statistics on this, we can provide countless examples. In human costs, I think there are tremendous savings for the government.

**Mr McCague:** Are the ongoing costs of nonprofit housing basically the same regardless of what the unit costs initially?

**Mr Reagan:** There are different programs under which nonprofit housing has been developed and those vary somewhat, but generally speaking the approach that has been taken is to identify, under the current program for example, a market rent that is chargeable in the area and making the unit marketable, and for people who are not on geared-to-income assistance that is the amount you charge. In fact, it is fairly steep in some major urban areas. Then you work back from that, taking in your other costs, to the amount of government subsidy that has to be provided.

**Mr McCague:** So the subsidization cost is basically the same on a unit that cost \$100,000 or \$200,000?

**Mr Reagan:** Depending on the revenue as well.

**The Chair:** I want to thank you for coming this morning. You may notice, if you look at our full agenda, that we have a rather large number of groups from various spectrums of the housing industry so it may well turn out to be a focus in our report.

Our next presenters are from the Municipal Electric Association. We have the chairman, Carl Anderson, and the chief executive officer, Tony Jennings. Welcome. We have set aside about 30 minutes for your presentation and questions and would like to try to stay within those bounds, if we can. Begin whenever you are ready.

#### MUNICIPAL ELECTRIC ASSOCIATION

**Mr Anderson:** I am Carl Anderson and with me is Tony Jennings. I thank you for the opportunity of being here today to present our brief. I am sorry we were not able to get it in much before yesterday.

**The Chair:** We did not have a shortage of things to read.

**Mr Anderson:** I did not think you would have, for some strange reason. You have our brief and we have given some handouts that we were going to use for overheads. Instead of using them for overheads, possibly we could just go through them a page at a time. They deal with our basic recommendations.

It starts off that we have five major recommendations, as outlined on the page, and I am not going to take your time to read them.

**The Chair:** You may want to read them into the record for the purposes of Hansard.

**Mr Anderson:** Yes.

#### 1040

1. We recommend that the Legislature of Ontario should oppose the application of the proposed federal goods and services tax to electricity and electricity should be zero-rated for the purposes of the proposed GST.

2. The provincial retail sales tax should not be extended to electricity even if the GST is applied to electricity.

3. The debt guarantee charge on Ontario Hydro should be withdrawn.

4. The level of water rentals charged to Ontario Hydro should not be increased.

5. The Legislature of Ontario should monitor more closely and take steps to reduce the costs and the time delays resulting from public hearings.

We go over to recommendation 1, which has to do with the GST on electricity. I think maybe we have lost that battle. I have a terrible feeling. We applied to Ottawa to appear before them. We were not granted the opportunity to appear. Our brief appeared, but maybe it was too negative to allow us to appear. I have a feeling from all the responses we get from Ottawa that this may well be a lost issue.

I am very sorry about that because throughout the world where GST or value added taxes have been in place, electricity because of its necessity for living, for business and for everything else has been seen as vital and therefore the cost should be kept at a cost basis. In Ontario we have always worked on a cost basis of electricity for supplying it to all our customers in this province. I believe that is one of the reasons this province is strong.

**Recommendation 2:** Having said that it looks as if we lost one battle, from our contacts with MPPs across the province, at the utility level, from our local members and from our own organization, we seem to have a consensus of opinion that Ontario should not add its sales tax on to electricity when the two are joined in the future. I would hope that somewhere people do not change their minds in the very near future, and that the various members we have heard from would insist that electricity is a necessity, just like food, water, sewage and everything else, and should not be taxed.

**Recommendation 3:** The debt guarantee charge on Ontario Hydro should be withdrawn. We have no problem with some kind of charges being applied on electricity if electricity is contributing to costs to the government or to the people of Ontario. This particular guarantee was never in place before; the charge was never in place before. I have yet to see that it has cost the province one cent. It has now cost everyone living in the province, I do not know how many hundreds of millions of dollars, but a fair number of millions of dollars.

I would like to see the province withdraw its guarantee and see what would happen. Then, if it did happen that Ontario Hydro's costs went up for the borrowing of money, you would know enough that it would be a fair reason to charge that. So there is that point.

**Recommendation 4:** Water rentals. I am not going to mention much about that. We just feel they should not be increased unless the province incurs some increased costs, once again, in operating.

**Recommendation 5** is an important one. Hearings cost us, Ontario Hydro, the government and the people of Ontario a tremendous amount of money. At no time are we suggesting that hearings be done away with, but there should be, as there is in the case of the Ontario Energy Board hearings on electricity rates and Hydro rates every year, some kind of time limit put on the various hearings. This is particularly applicable now with the new Hydro plan for electricity for the future coming out and the multitude of hearings that are going to result from this.

A secondary concern in this is that we firmly believe this province is going to be in real trouble in the early 1990s for electricity. We began to see what happened in December when we had a partial outage. Part of it could not be anticipated and maybe part of it could have been. We see the growth, which we do not think is going to let up. I see from this morning's paper, the Globe and Mail, that the Conference Board of Canada says that we may have just a minor slowdown and that we are certainly not going to have a recession. The greatest thing to slow down use of electricity in this province would be a recession, but heaven forbid that we have that or we are all going to be in even more trouble than we are in today.

We see that we are going to need some decisions to be made on future electricity supplies much, much before what is being recommended in the Ontario Hydro report. Therefore, we see that something must be done to have those hearings as concise and as clear as possible and you get on with the job.

That is pretty well our brief.

**The Chair:** Mr Jennings, do you have anything to add?

**Mr Jennings:** No.

**Mr Haggerty:** I have a question concerning your recommendation 1, that the Legislature should oppose the application of the proposed federal goods and services tax to electricity, and electricity should be zero rated for the purposes of the proposed GST. Are there any other energy areas, such as Consumers Gas, that will be paying the GST?

**Mr Anderson:** Yes. But everybody has a choice on whether he uses gas, oil or other forms of energy. I have not found any other source used by everybody for lights and cooking—well, you have some where there are gas areas, but basically electricity is something everybody uses every day. You cannot avoid it in our society. Business can get back the GST on whatever it



uses, but the average citizen cannot get back the GST.

**Mr Haggerty:** Do you think it would be fair, though, to say what you have said here, that you want hydro to be exempt but anybody who uses natural gas—I am talking about the home owner—should be paying the tax because he is buying fuel oil for heating their homes?

**Mr Anderson:** I am not too sure. The only one I can speak on is the electricity, because I consider it as vital as water and sewage. I guess, if you taxed everything, then it would be very difficult for us or anybody else to make a decision. You could oppose the GST, period, then, or on the basis of all goods. But I think this is a discriminatory tax against one of the vital necessities of this province.

When you get an outage and you sit in a utility, as I do, you see how much electricity is vital to everyone. Stores close, businesses close, everybody closes down.

**Mr Haggerty:** The second question will deal with conservation.

**Mr Jennings:** If I could I just expand—

**The Chair:** Would you hold the second question then?

**Mr Haggerty:** Yes, I will hold it. Go ahead.

**Mr Jennings:** If I could just expand on that a little bit, the issue of whether energy, as opposed to electricity, should be exempt, it has been debated. If we look at other jurisdictions that have value added taxes, virtually every one has given some special recognition to electricity. In a few cases, such as Britain, they have also exempted home heating oil or home heating gas, but they tend to give a special consideration to electricity, separately from the others. So to some extent, it is a red herring.

In Canada in particular, where it is a public sector, not-for-profit service, you have a very distinct difference because the other energy forms, with all their environmental problems, are all on a for-profit basis.

**Mr Haggerty:** You are part of it, I guess?

**Mr Anderson:** No, we are not. We represent every user in this province.

**Mr Haggerty:** Yes, municipal, but you were—

**Mr Anderson:** We are not part of Ontario Hydro. We buy from Ontario Hydro at its cost.

**Mr Haggerty:** You were partners at one time.

**Mr Jennings:** We are still partners. We are partners but we have to buy from them.

**Mr Haggerty:** In export of electricity offshore, to the United States and places, is there

such a thing as an excise tax, or whatever you want to call it, for export duties? Is there anything like that?

**Mr Anderson:** I do not think so, but I am not familiar with that because we and the local utilities do not get into the problem of export.

**Mr Haggerty:** No. But I thought maybe you are dealing with it.

**Mr Anderson:** We are strictly retailers that buy wholesale from Ontario Hydro and supply everybody in this province, with the exception of some rural customers to whom Ontario Hydro provides direct service.

**The Chair:** I am going to have to go to some other questioner. I have a list.

**Mr Haggerty:** Just on that point, could I have research check it out and find out if this recent national gas export to the United States—they are talking about taxing hydro. Is there going to be a tax on energy leaving the country?

**The Chair:** Okay. We will have research get that information.

#### 1050

**Mr McCague:** This is probably slightly unrelated, but the 2.2 per cent charged by the province to Ontario Hydro: How did that translate to the cost of hydro for municipalities?

**Mr Anderson:** It is 2.2 per cent.

**Mr McCague:** They did the straight 2.2 per cent,

**Mr Jennings:** It is a half a per cent charge on the cost of our borrowing, on the total borrowing. So whatever Ontario Hydro borrows, the guarantee charge is half a per cent of that. That works out to be a 2.2 per cent charge, actually, at the customer end of it.

**Mr Anderson:** You, as a customer of Ontario Hydro wherever you live, have had 2.2 per cent added to your hydro bill for 1990.

**Mr McCague:** The province charged 2.2 per cent. Did Hydro pass through that charge and that charge only, or is there a markup on it?

**Mr Anderson:** No, they passed through that charge only.

**Mr McCague:** Through the utility.

**Mr Anderson:** Yes.

**Mr Polsinelli:** Thank you very much for your presentation. It is the type of presentation that I can understand, fairly straightforward and to the point.

I have a couple of questions that I hope you can answer. In terms of the Municipal Electric Association buying hydro from Ontario Hydro,

has there ever been a time that you recollect, or have any of your members encountered this type of experience, where you go to officials at Ontario Hydro and say, "We need so many kilowatts of electricity per hour," and they say, "I'm sorry, we cannot give you that much; we can only give you something less"? Have there been times when you have gone to Ontario Hydro and it could not deliver what you needed?

**Mr Anderson:** That is an iffy question. If, of course, they do not have any, if they have a breakdown, you do not get any and that is it. In December, for instance, they cut back the voltage, which affected some of our customers. They asked us to contact all our customers, large users, and try to get them to voluntarily cut back because they had no power. I think there have been occasions when our members have run into problems, particularly in situations like Vaughan township, where they have had some difficulty making sure that they will have enough power.

I think, if you go back to the 1947 and 1949 era, the province began to run out of electricity and there were actually brownouts and blackouts for parts of every day throughout this province. That is one of the areas we are really afraid of for the coming 1990s, that it is going to happen.

One of the strengths in this province of ours has been the ability to supply electricity to plants, and that as they need it. You get a Honda plant coming in and Honda just assumes that electricity is there. And it will be there. It has been there, but it may not be in the future.

**Mr Polsinelli:** I guess that is the fear we all have, that the electricity we need is not going to be around when we need it and it is going to affect industry. Our economy is going to go downhill and we are all going to suffer. The traditional way of making sure that does not happen is to build bigger and more powerful plants. As the Municipal Electric Association, has your association ever worked with your members in terms of trying to curtail the demand? That is, have you ever tried to encourage energy-efficient products and, generally, conservation among your members?

**Mr Anderson:** Individual utilities have, yes, but on the whole, no. We have had a big problem that Ontario Hydro in the past has seen that as its role to do that kind of thing. What is beginning to happen now is that we are beginning to get very involved, or want to become involved at the municipal level, because we think we can play a far greater role in this province in terms of energy management than has been played in the past. Ontario Hydro is just beginning to recognize

that. In the meetings we have had we have been emphasizing it.

There is a program coming out on water, shower heads, the April shower program they are going to put out that they were going to operate by themselves. We are going to be approaching them right now and saying: "Wait a minute. We can do an even better job because the April shower program will involve the local governments in terms of water and sewers as well as electricity, and we have a three-fold reason to conserve and help you out."

**Mr Polsinelli:** I would not think that type of responsibility lay strictly with Ontario Hydro. I would think that as the Municipal Electric Association, part of your mandate is to supply electricity as cheaply as you can to your citizens.

**Mr Polsinelli:** I would not think that type of responsibility lay strictly within Ontario Hydro. I would think that, as the Municipal Electric Association, part of your mandate is to supply electricity as cheaply as you can to your citizens.

**Mr Polsinelli:** One of the ways of supplying cheap electricity is to buy less of it from Ontario Hydro.

**Mr Anderson:** But if only part of your organization participates, it is a losing proposition for a local utility, believe it or not, to get into energy management.

**Mr Polsinelli:** But you are representing an association that has 316 municipal electrical—

**Mr Anderson:** But some of those are pretty small and have no employees. Some are big, like North York and Toronto, etc. No, we have a much greater role to play in our organization, but we have not been allowed to play it in the past. We are beginning to get an opportunity to play that role.

**Mr Polsinelli:** I encourage you to do that.

**The Chair:** Thanks very much. We have just had a notification that Mayor Eggleton cannot be here at 11:30. He has requested to come in at 1:30, if that is agreeable to committee members. It would mean we would break following the Hockey Development Centre for Ontario presentation, break early and come back half an hour early. Is that agreeable?

**Mr McLean:** I cannot be here at 1:30.

**The Chair:** In any event, we will have to deal with that. That gives us a little more flexibility this morning, so I am going to go back to Mr Haggerty to allow him to ask his second question.

**Mr Haggerty:** I was interested in your comments on conservation of energy in particular areas. You mentioned some 300 hydro utilities in Ontario and you talked about the outages or cutbacks that you fear may take place. I was looking during the Christmas holidays. More homes are putting more lights out in front, and you have festival lights at Niagara Falls and Simcoe bringing in tourists and lighting up the whole sky, you might say.

I came by on a Saturday night back in Toronto. I was going back and I thought I would come see if the Parliament buildings were lit up. There were no lights on the Parliament buildings, but it was interesting that when I looked down at the glass tower, all but two floors were lit up.

When you talk about conservation in that particular area, you can go and look at the malls, which are open practically 14 hours a day now, in some cases, the big stores.

Someplace along the line, if we do not have the power, somebody is going to have to crack the whip and say, "Look, conservation has got to come in." It had better start right down here at Hydro.

**Mr Anderson:** It is interesting, though, that at night you have plenty of power. It is in the daytime that we do not have power. It is also interesting to note that likely the greatest savers of energy are the commercial and industrial users, and most malls have gone into quite effective conservation methods to save electricity, relamping and a whole group of things.

Some of the large buildings unfortunately were built in the era when there were tons of electricity, so you have one switch to the floor. Many of them were built so that there is a heat factor involved in the lighting, which they have taken into consideration when heating the building. If you turn the lights off, you are going to freeze to death in the morning during the wintertime. There was some crazy building that went on in the early days. In this province we have had no compulsory ways of developing or building buildings in order to save energy. We have had practically none, and it is a shame, in my estimation.

**Mr Haggerty:** But when you say that very little power is used, say, after eight o'clock at night, you might as well say you can shut down all the plants, but still—

**Mr Anderson:** You cannot shut down—

**Mr Haggerty:** No. If you still take your view and say, "This doesn't resolve the problem," you still have the wear and tear on your equipment. That is where Hydro has had some difficulties,

when it forces outages, as it calls it, for the repairing of the boilers and repairing of equipment. It has perhaps three or four of them shut down when it should only have one.

**Mr Anderson:** This is a very complicated thing. I know Ottawa Hydro, for instance, went after the National Capital Commission to turn off its Christmas lights until after seven o'clock at night. In a number of areas where local commissions went after users of Christmas lights and requested them to turn them off, we had a tremendous amount of co-operation on the local level.

**1100**

**Mr Jennings:** If I can tie those two together, there are really two interesting things, two factors in terms of the local utilities. One is that the indications coming out of the United States and other jurisdictions in Canada are that local energy conservation programs tend to have a higher success rate. Some of our very small utilities are going to have a great deal of difficulty, but still we believe the local utilities, the municipal utilities, need to be front-line troops in this area. You need to recognize that it is not very long ago that because of the inability to forecast accurately, we had more power than we were able to sell. We are selling virtually no power on a permanent or a full-time basis outside the province now, or Ontario Hydro is not.

But we have a number of members who are, in effect, turning around their attitudes. Where they were trying to promote low-cost power for the benefit of their customers, they have now to try to turn around, go 180 degrees and say, "Cut down on the amount of power." So we have a value in the local decision-making that showed up in Simcoe, which you mentioned. They, like everybody else, were asked to cut back. They have their festival of lights. They apparently, so I am told, were able to cut back by cutting back personal consumption. They left their Christmas lights on because of their tourist industry but managed to save more than the amount they would have saved by deferring their washing until the evening and those types of things.

**Mr Brown:** I want to come back to the debt guarantee. If I understand what you are saying, it is not that you are opposed to a debt guarantee; it is that you are not sure that the percentage charged is correct. Is that a correct assumption?

**Mr Anderson:** Yes.

**Mr Brown:** Given that Ontario Hydro's mandate is to produce power at cost, and the full



cost should be passed along, you are just not sure that the half per cent is the cost.

**Mr Jennings:** The cost of guaranteeing it is virtually nil. Since the province has to go through the paperwork of approving the borrowing anyway, there is virtually no difference in cost to the province. There may be some value—

**Mr Brown:** I think we are talking about the costs to Hydro.

**Mr Jennings:** No, there is no cost there. But there may be some value to Hydro which is a legitimate charge, if there is some value, but everything we have heard has suggested it will not be anywhere near half a per cent, if you look at the equity behind Hydro's borrowing versus the guaranteeing body's equity-debt ratio.

**Mr Brown:** Yes. The difficulty, I guess, is in separating the two. Even without the guarantee, Hydro is a crown corporation. There is always going to be some linkage, even if there is not a guarantee. So I guess you are just saying the half per cent figure is something you are not very sure is accurate.

**Mr Jennings:** We believe fairly strongly it is not accurate.

**The Chair:** Thanks very much for your brief and taking the time to appear before the committee. We appreciate it and we will certainly look at it carefully when we are writing our report.

Our next group of presenters is from the Hockey Development Centre for Ontario. We have a long list of folks who are coming before us today. Barrie Davis, I believe, is the lead presenter. He is the president of the Ottawa District Hockey Association. John Gardner is from the Metropolitan Toronto Hockey League. Fred Mantle is chairman of the Hockey Development Centre for Ontario. John Panathere is co-ordinator of the Hockey Development Centre. Wayne Dillon is the administrative co-ordinator of the Hockey Development Centre. Welcome and good morning.

I want to tell you this is a wonderful twist for me, as a coach in his illustrious hockey league, to have Gardner on that side of the table. It is nice to see you all this morning. We have set aside about 30 minutes for your presentation and questions. We would like to stay fairly close to that if we can. Go ahead.

#### HOCKEY DEVELOPMENT CENTRE FOR ONTARIO

**Mr Davis:** We are here to present this brief this morning on behalf of the Hockey Develop-

ment Centre. I would like to just read through it with you, if you would bear with me.

I am speaking on behalf of the Hockey Development Centre for Ontario to make you aware of a financial crisis that is developing in amateur hockey in Ontario due to the lack of an ongoing commitment to us by your government.

The Hockey Development Centre for Ontario is now a provincial sports organization but originally was an organization established to assist various Canadian Amateur Hockey Association affiliates and any other interested hockey bodies in the training of coaches, trainers and officials. These affiliates are: the Thunder Bay Amateur Hockey Association, the Ontario Hockey Association, the Ontario Minor Hockey Association, the Metropolitan Toronto Hockey League, the Northern Ontario Hockey Association, the Ontario Women's Hockey Association, the Ontario Hockey League, the Ottawa District Hockey Association and the Ottawa District Minor Hockey Association.

There are approximately 300,000 players participating in these organizations, ranging in age from five years to adults, and from house league to élite in playing skills and hockey skills. The board of the HDCCO is composed of representatives of each of its affiliates, plus one public sector person appointed by the government of Ontario. These people are all volunteers, as are the other 100,000-plus who donate their time to hockey in this province. These people give freely of their time, and in addition must of necessity contribute financially to our sport.

I alluded earlier to the original mandate of the Hockey Development Centre for Ontario, specifically to assist in the training of coaches, trainers and officials. In 1986 we, the Hockey Development Centre, had a think tank at the Pinestone Inn and made plans for hockey in the last half of the 1980s. The principal resolutions established were:

1. Making hockey a safer game;
2. Expanding the role of the Hockey Development Centre to become one voice for hockey in Ontario;
3. Improving the image of the game at the amateur level; and
4. Where possible, simplifying and co-ordinating the regulations and rules of the game.

Coincidentally the government of Ontario in 1987, through John Eakins, the then Minister of Tourism and Recreation, announced that it was concerned about the escalating cost of sports injuries in Ontario and that it had some initiatives which would reduce and wherever possible

eliminate them. We have been working in co-operation with the government since that time to attempt to achieve our common goals. It is, however, difficult to make this type of commitment when we are faced with constantly diminishing grants in real dollar terms from government.

We in hockey are already feeling the effects of this government's cutbacks to our sport in the aforementioned objectives we are endeavouring to achieve. This is not to be construed as criticism of those dedicated government employees who work at the Ministry of Tourism and Recreation. Their hands are tied. This government has not given the Ministry of Tourism and Recreation sufficient moneys to allow its administrators to fund worthwhile projects both they and the representatives of the sport agree should proceed.

For example, our studies have shown that modifications to existing arenas would create a safer environment and that Olympic-sized ice hockey surfaces would reduce injuries significantly, and thus reduce health care costs. In addition, much-needed projects and programs are being reduced, specifically, first, the officials'—or referees and linesmen—training supervision, which is one of the main programs to make hockey safer and is a key component of the official study on safety. I have given you a copy of that official study on safety. Coaches' training and supervision is another key part of our safety program.

"Wellness" is a new buzzword that we in hockey feel our sport should exemplify, along with many other achievable goals we have established for hockey in the 1990s, as outlined in the document attached to this submission. You have a copy of this book, as well. Our firm conviction is that hockey is a sport that assists a person towards becoming a healthy, well-rounded individual—a form of holistic medicine, if you will. We want to expand our hockey family at the Hockey Development Centre by offering our services to people of all ages who play the game, but in order to achieve this expanded mandate we must have some increased assistance from government.

We do not intend, nor do we want, to become dependent solely on the government for our funding. We are attempting to become more self-reliant. However, while we are trying to accomplish this expanded mandate, we cannot concentrate our volunteer efforts on fund-raising. These safety efforts have already led to a reduction in the number of injuries, and thus a

reduction in health care costs, and as we continue will lead to even further reductions.

We in amateur sport, and hockey in particular, feel we are no longer a priority with this government and we are appealing to you, the members of this committee, to remind you of our important role in society. Hockey is faced with the devastating and negative effects of the tax increases at all levels of government: federal, provincial and municipal. The increased federal and provincial income taxes, the goods and services tax and the 0.56 per cent which this government is receiving as a result of first adding the goods and services tax and then the provincial tax, all lead to increased costs and/or reduced income for the hockey family.

### 1110

Municipal governments pass along the resultant costs to us in the form of increased costs for ice and arena facilities. In addition, lottery funding is being flat-lined to amateur sports and even those limited funds we do receive come with so many strings attached to them it is difficult to use them.

This scenario is bleak, and unless this government re-examines its financial commitment to amateur sport and, for our presentation purposes, hockey in particular, we will have to take a serious look at our expanded mandate. You cannot and should not expect our thousands of volunteers to continue to give more and more of their time and efforts without an indication from government that it is not only committed to the same goals, but prepared to recognize our dedication with some increased funding.

I cannot stress strongly enough that this situation is rapidly reaching crisis proportions and I beg, implore, beseech you and the members of this committee to please take our message to this government. We need your help.

**Ms Hošek:** I do not know whether this is an appropriate question to ask. If you do not want to answer it, I will understand, but I want to know what kinds of resources you are spending now and what kind of help you really need.

**Mr Davis:** The total government commitment to the Hockey Development Centre for the supervision of officials' training and all that sort of stuff last year was just over \$600,000. For our nine constituent bodies, for their own administration and that sort of thing, it was over \$4 million that they spent. In addition to that, there are 600-plus hockey associations throughout this province, and I have no idea how many millions of dollars they spent. That is the best answer I can give you.

**Ms Hošek:** How has that ratio of \$4 million to \$600,000 changed?

**Mr Davis:** It has been flat-lined.

**Ms Hošek:** Can you give me an indication that, say, 10 years ago you were spending a certain amount and now you are spending a certain amount?

**Mr Davis:** All I can tell you is that it has been flat-lined for the last four or five years from this government.

**Ms Hošek:** At that same amount.

**Mr Davis:** Yes. It flat-lined the grant and in addition to that, the number of sports that the sports and recreation department handles has increased from about 70 to 80 in the last five or six years—last year there were four more sports—but the amount of money given to them is always flat-lined, and it is the same with the lottery moneys. The lottery moneys have been flat-lined and, as I said, there are so many restrictions to them that we cannot even use the moneys we do get.

**Mr Daigeler:** My question is similar to Ms Hošek's. I would like you to be a little bit more specific in terms of what you are actually asking for. Are you just asking for more for this Hockey Development Centre or are you asking, which I think you are, for more money for amateur sports generally?

I am not aware of any flat-lining, but it happens. It may well be the case. Can you be a little bit more specific as to why you feel you must have increased assistance from government? I find that quite a strong statement, of course, in the current climate of limited financial resources, and I think we have to be very specific in stating our case, where the money is needed and why increased money is needed.

**Mr Davis:** I outlined in the presentation that we are committed to making our game a safer sport, to achieving all those goals that we reached at Pinestone Inn. That was done in consultation with the minister; I mean, the then minister got up in the House and made his speech about safety initiatives and the amounts of money that were going to be committed to our sport, to sport generally, by this government.

I am answering on behalf of hockey, but I am talking, I think, on behalf of all amateur sport in the province because we certainly would not expect the government to say, "We're going to give X dollars to sports and recreation held at our fitness branch, but that's all going to go to hockey." We are making a pitch on behalf of the volunteers.

You must remember that we give our time to this sport. It is time-consuming, and for us to give the time and the kind of dedicated time that the people across this province do give to our sport and others, we feel the government should not be flat-lining, because what flat-lining means is that every time inflation increases, of course what you had to spend the year before is that much less, and that is what is going on.

**The Chair:** Could I add a supplementary? What we are not getting from you are details and specifics of exactly what the problem is. You have given us a general statement that the government has flat-lined your grants, but we are a little more used to hearing specific details about the amounts of money, the percentages, the costs.

You have indicated there are some costs to the hockey family. Having three hockey-playing sons I understand that very well, but we have not heard—at least I have not heard, and I think that is what Mr Daigeler's question was alluding to—specifically what you are getting now, what you have been getting for the past two or three years, how that has been stagnated and what you would like to see happening in future. Is that it?

**Mr Daigeler:** Yes, it is, but I do not want to put you on the spot either. If this is information that you would like to submit later, you are certainly free to do so if you do not have that right now. I think you seem to be zeroing in very much on this flat-lining aspect, and I am not aware of it, quite frankly. Is that flat-lining something that has happened just to your particular organization? Is this across the board? No one else has brought it to my attention from the amateur hockey field.

**Mr Davis:** I cannot answer for others, but I can tell you, in amateur sports, that certainly Sport Ontario, the Ontario Arenas Association Inc and many other organizations have made presentations to the government about their concerns, about the flat-lining of moneys to sports and fitness. We have spoken with the minister about this and he has advised us that that is the situation; there just is not going to be any more money available next year than there was this year or than there was the year before. That is the position.

**Mr McLean:** I just want to say thank you for the brief, but I would suggest that you make copies of your financial statements and circulate them to the members so that they have a bit of an idea of the problem that you have. I am fairly well aware of it as critic for the Ministry of Tourism and Recreation, which is responsible for



it, and I think it would be appropriate for you to distribute to all the members what you have got and what you anticipate you should have. I think it would be an asset to them.

**Mr Gardner:** I realize what you are looking for. You are looking for specifics, almost, in terms of financial reports, so you can draw a comparison as to possibly what has happened over the last three or five years. I will just take a few seconds and bring you into line with the concern that we have. We are involved here as volunteers, as Mr Davis has said, and the Hockey Development Centre for Ontario is really here on behalf of roughly 400,000 participants.

Taking into account the money that comes from the ministry—which is appreciated; nobody is trying to say it is not—it works out to about \$1.50 per participant a year, which, be it on a safety study or on anything else, good Lord, we have shelved enough of, because there are not sufficient funds—and I might add a lot of these ideas have been initiated by government—sometimes these are shelved or shelled down.

You are trying to co-operate, you are trying to work at arms's length and yet arm-in-arm with the government in making the sport safer, but the bottom line is this: amateur hockey in Ontario, sir, I can guarantee you this, generates \$200 million a year into the economy. That is one heck of a lot more than \$1.50 per participant that is put into it by government.

Is it an impressive force? Yes, it is an impressive force. I think the thing is, what we are basically saying here, and we appreciate the fact that you are giving us the opportunity to speak here today, is that we have to keep persevering until somebody at the government level listens to somebody who is speaking here on behalf of our concerns. We cannot keep them off the streets while we have got arenas declining or being torn down more quickly than new ones are replacing them. Where are we going to put them?

The volunteers are saturated now in terms of cost. I will give you the normal cost increases in amateur hockey and what I suggest they are for a lot of amateur sports, although we speak a little more knowledgeably about hockey because it is the biggest constituency and the one to which we volunteer our time. The costs go up with an approximate increase of 10 per cent per annum. I can tell you right there that with the type of money Mr Davis is talking about, in terms of keeping up and meeting the needs of what government wants us to do, we are not talking about any 10 per cent increases, but that is what is happening. With the new taxes that are coming

on this year, we are going to be doggone taxing the kids right down to their skate laces.

So I guess, if nothing else, we are not here for ourselves. We have that luxury of being able to sort of speak out, because we are speaking out for the people who indirectly are going to be paying a lot more taxes, whether they are six or 60, and the kids. They do not get a vote.

**1120**

I think parents today expect hockey can automatically provide all the facilities and the volunteers who keep going and keep going. Our concern is they cannot, so what we are doing is we are coming to you with a plea for understanding, a plea that you will look into the concerns we have in hopes that your input will do something to remedy the situation. Our concern is that if you do not do something or if you do not help us do something, the whole thing is going to blow up in our face and then everybody is going to want to know what happened.

Basically we are not here to cause volcanic eruptions or anything of this nature. We are here on behalf of a situation that we as volunteers—and I am sure a lot of you people are—sense is coming. I guess, if nothing else, it is a warning on one part and it is a warning for something that is not too far off, and we do not mean years off. It is a very, very deep concern that a committee or somebody in this government will do everything they can to look into this and see what they can do to at least take a look at the financial picture and say: "My God, here is a heck of a large constituency in sport, the largest in fact in this province. How can they keep doing it?" I think if you look at what is available, and we certainly can acquire more information from the ministry as well as our own records, you will realize the concern.

I think that pretty well covers it.

**Mr Haggerty:** I was interested in some of your comments. I think the word that is missing in the whole debate here of the issues we are discussing today is the discipline that these youngsters get from playing amateur or minor hockey, beginning at age seven or eight. I have a son who is very active in Fort Erie minor hockey. He is a travelling coach and I do not have to tell you the cost that he has to bear himself. I would suggest that someone should pick up that second book of Ken Dryden's on what it costs the family. I know you talked about three sons. I do not know who paid for that trip over to Bulgaria, but he was over there.

In talking to my son, he said: "Well, you know, sometimes I wonder how many of the

children really have any discipline at home because that is one of the very first things that they learn here in minor hockey is discipline."

I know the cost that you are talking about for ~~hockey~~ equipment, particularly goaltending ment, can go as high as \$1,200 for one set of goal pads alone. For young families, it is \$600 or \$700 or \$800 to put the equipment on a youngster at eight or nine or 10 years of age. I suggest to you there is quite a cost in that. But there is a benefit to society in the long run because these youngsters are taught discipline and they show respect, I guess, when they are travelling. I know the task that is before you.

Years ago in the process of minor hockey when a person turned professional from juveniles or junior hockey, usually it was the Lion's Club that sponsored the team in the first place, and always there was money that came back from the pro leagues and usually went to the Lion's Club. I do not know what the pro leagues are doing today in this particular area.

Some of these fellows out there are making \$4 million or \$5 million for a three-year contract and I feel that someplace along the line they owe somebody back home some of this, in the sense to say, "We put you where you are today at the expense of the taxpayer." We see none of that. I do not think any of it comes back any more.

Is there any reason the committee should be looking at the area here and, say, for each ticket that is sold at Maple Leaf Gardens, a certain percentage of that comes back to minor hockey?

**Mr Gardner:** I can get in enough trouble asking for tickets for friends to Maple Leaf Gardens without suggesting to even the present board of directors that they give us a portion of their admission. I hear where you are coming from. The National Hockey League used to at least send money down for development of players as they came out of the minor systems from across Canada and right down to the minor association. But the need for money grew so much over the years that it stopped at the major junior levels or it stopped at the national body of amateur hockey level. In other words, it never got down to the grassroots, to the people who are spending the dollars.

What it boils down to is, we have tried several routes. I know people, as do my confrères here, in various avenues of hockey. Why we are here—and it may sound corny, but it is very, very true—is the fact that in my personal definition members of Parliament, in my understanding, are really trustees of the public interest, so I would hope also that you are trustees for the kids

of the parents whom you represent. If we cannot turn to you people, where do we turn to?

This is not a lot of rhetoric. Maybe we have enlightened your day somewhat. We are talking about kids instead of some other issues, and I am sure they are all of concern, but who the dickens—all of a sudden, and we are not specialists in this, we have now started becoming human rights activists. We have had to pick up the load for the kids and go out there and say, "How is the sport going to exist?"

I do not know whether you are aware of it or not, but in some areas of this province there are teams that would like to play hockey that cannot play hockey because there are not even the facilities for them to play in. We have pleaded with government in the past, with some very notable people backing us, to the extent of saying:

"We're not telling you you have to change what is there, but for goodness sake, when funds are issued by the province to help subsidize municipalities in terms of recreational growth, all we're asking is maybe you would make it a stipulation that no government funding would go out until such time as they agree to build the surfaces international size. Don't change the old ones. It's just on the new ones. Make it a safer sport."

Noted physicians say it would reduce injuries by a minimum of 25 per cent. This started three years ago. A noted doctor, Tom Pashby, who is a leader in this field and a recipient of the Order of Canada, has done everything, written to Tourism and Recreation ministers, written to the Premier (Mr Peterson) himself, and we get nothing other than the fact that there might be a potential study. This province and this board is being studied to death. We are here to say: "Enough of the studies. We've got to go ahead and we've got to do something."

We can talk dollars and cents. Yes, we can supply you with figures of where things have been flat-lined or where there have been no increases, but in between all this, I think the message is that there is a need there and we need the assistance of this government, or MPPs within or anybody that can help us, and part of that assistance is not only moral support, but in essence reviewing the necessity for additional funding that will help keep the kids off the street, will help them do something useful within this recreation-oriented society we have, with shorter school days and more time on their hands. In essence, there is a benefit to not only the parents but also the taxpayers.

I will tell you the situation is so bad that in certain areas, and I say it from a personal experience where the police have come to me and offered to go out and get sponsors for teams to keep the kids off the streets in more densely populated areas with a lot of stores, we have no place to put them.

**Mr Brown:** Unlike you, my children play ringette, but I am fully aware of the costs involved. The sports are very similar and I spend a lot of my time in arenas also.

I was wondering if you could give me some kind of sense of how the sport is growing, not growing, what kind of levels of participation are occurring and what has happened over time. There seem to be a large number of recreation activities competing. I wonder how hockey is doing vis-à-vis the other recreational activities in terms of attracting youths and adults.

**Mr Gardner:** Basically, hockey, in general terms—and I say “general terms” taking in all age groups—is stable.

Part of the dwindling numbers in certain areas is due to what we call static populations or static vicinities. I will give you an example, Weston community in Metro. It used to be quite a vibrant hockey entity unto itself, but a lot of the people who are living there now, save for a few apartments that have gone up, are the same people who were living there 30 years ago. In other words, their kids have grown up and moved on to other areas.

If you look at the overall area in Ontario, it balances out. You get some unusual surprises. You find out there are more students, if you will, at a younger age coming in to play house league or recreational hockey, of course, which is the grass roots of the whole operation, but the surprising thing is you never know where it is going to come from.

A quick example is that once when secondary schools had to drop off their hockey programs, either because of unavailability of ice or because of budgetary demands, all of a sudden there was an increase in house league hockey at the 13-year-old age level, which is where the change from the public school into the secondary school system went.

Yes, they compete against a lot of other sports. Dwindling numbers are caused by other interests. Hockey has become a very expensive sport. Without being repetitive—it is a statement I use all the time, and we have to cope with it—the expenses are such that it has gradually, if not already, become a game based on your ability to pay before your ability to play. We bring kids up

today thinking that hockey is the national sport, it is a national right. Well, boy oh boy, we are having a hard time proving to them it is a right.

Without going around in circles in answer to your question, hockey should be increasing. There are factors inhibiting its increasing, but the numbers are still stable in comparison to three, four or five years ago. I would suggest, though, that they vary quite a bit from region to region.

1130

**Mr Brown:** Following on that, and I guess we are in this discussion of where we should put our dollars if we put more dollars, where is the priority? I know ice time is a real problem in many areas. Should the government be looking at more capital expenditures vis-à-vis operating? We are going to have to make some choices. Governments have to do that. It would be nice if you could say, “Okay guys, you can have everything you want,” but that is not usually true.

**Mr Gardner:** I am not about to suggest tax relief, because that gets you burned in the fireplace, but I think that in several areas the government should be looking, with discretion and with study, into putting more moneys into facilities such as arenas in more densely populated areas.

My God, when you hear on the television about a hockey tournament out in Calgary, about a team from Czechoslovakia and these poor kids come from a town in Czechoslovakia where there are only two arenas and 60,000 people—in the southern Ontario region here, it is one for 47,000 people. I do not why they are talking about the poor Czechs; we have a harder time here.

That is one area, arenas, and the safety factor. Getting back to the theme of the whole situation that Mr Davis was addressing on behalf of hockey, what we need, through the hockey development centre, through the ministry, is more funding in which to follow on with the commitment that government asked us to initiate.

In other words, while we come up with some good initiatives on our own, these are initiatives that were brought about at the request of government by the ministry, and we have got some very good studies there completed. We could make this sport safer within a year if we had the funding, but we cannot squeeze that financial sponge within the volunteer community any more. If we squeeze it any more now we are going to have a dropoff of kids, because unfortunately it has got to be expensive enough that some cannot afford it, as I am sure some of you are well aware.



I would suggest that if you would keep Mr Davis's presentation that he made on behalf of the HDCO with you, that will give you a general outline of where the needs are. If you can funnel funds through the ministry, through the HDCO, they in essence are not for any special group. They are for hockey overall, and hockey overall is going to benefit in the safety and development areas, which are primarily our main concerns at this stage of the game.

As a government, I would say there is lots of documentation and correspondence on record as to where you could play a very major role of getting back into the arena situation because of the need for it. I know it is a difficult thing to bring up because of the need for hospitals and the other needs our society has. Remember, we have to supply for our society, these kids who are following us. We have to provide for them right now in terms of all the other nice benefits that come about, but if we do not something about it, I think we are going to pay the price in social terms, if not financial terms, down the road.

**Mr Cleary:** I understand some of the things you are talking about, because I followed four of my family for a period of 20-some years in minor sports and travelled to a lot of different areas and also served in the associations that try to raise the money.

Having said that, I was interested in some of your comments where you said that groups and communities had been lobbying the government over a period of years. I think you mentioned new arenas. Has that community raised its share of the funds?

**Mr Gardner:** Are you referring to the municipalities?

**Mr Cleary:** Having gone through that same thing too where I come from, raising the money for arenas, I guess it is not only the municipality that gets involved; it is a group that raises a percentage of the money too. Do they have their funding in place for these—

**Mr Davis:** I think maybe there is a misunderstanding here. We are talking about when new arenas are built that they be built to Olympic size. That is our concern. One of the ways to make the sport safer is to build Olympic-sized rinks. If the government took the position that any rink that is going to be built must be of Olympic size, then the municipality and the volunteers in that organization would know that they have to raise whatever the extra funds are to build a safer arena that in the long run would be of benefit to everybody.

**Mr Cleary:** Yes, I understand that, but did you not say earlier too that groups have been lobbying the government for new arenas?

**Mr Davis:** Just for the safety. To make the ones out there now safer.

**Mr Cleary:** Okay, I misunderstood then. I had understood that there were areas that were neglected that had no arena.

**Mr Gardner:** That is true, but I am here this morning to support the overall needs within the province. I am just pointing out that in some of the more densely populated areas, if you did a study you would find out that there are not a fair proportion of arenas for the number of youth out there. That was more or less in response to an earlier question on where the sport is going in terms of growth. It cannot really go any farther because the facilities are not there to handle any further growth.

**The Chair:** I think that concludes the questioners. I would just make a comment that I would be personally quite prepared to talk in more detail. I am aware that losing something such as Lakeshore Arena due to the Ministry of Labour regulation requiring it to be closed down has thrown a real wrench into the MTHL and all the house leagues around the greater Toronto area. I understand those implications but, with respect, I am not aware of the province building arenas on a unilateral basis.

In my experience, and having been involved in building them at the municipality, the process has been that the municipality initiates it or the hockey association initiates it and everybody gets together. They raise money in the community, the city puts money in and they come to the province for top-up matching funds from Wintario or whatever. If those funds are drying up, I would want to know that, and I think all members of the committee would want to know that in some detail.

We do consider hockey, and I think I can speak for all members, a very important sport for young people, as are all other amateur sports. We thank you for your time and your presentation this morning.

**Mr Davis:** Can I just finish up? I hope you understand that we volunteered to be involved with hockey to be out there with the kids in the rinks and to make it easier for them to play. We never envisaged that we were going to be appearing in front of committees in the Legislature.

**The Chair:** John Gardner does this all the time.

**Mr Davis:** We did not envisage ourselves here so we may not have given you the kind of information you need. We will get better at it if it has to be that way, but we are really here to make a pitch on behalf of amateur sport in the province and our sport in particular. We apologize if it has not been as professional as some of the presentations, but we will certainly give you whatever information you require and, hopefully, we will not have to be back in front of this committee again without a more professionally polished approach.

**The Chair:** No need to apologize. We are just interested in details, that is all.

The mayor cannot be here this afternoon and other members cannot meet his schedule of 1:30 pm so we are rescheduling Mr Eggleton to 1:30 on the 24th, if you could note that. That is the day we will be having the Minister of Community and Social Services (Mr Beer).

**Ms Hošek:** What day is that?

**The Chair:** The 24th, which is next Wednesday. We are not scheduled to start until two o'clock. Next Wednesday we will start at 1:30 with Mayor Eggleton.

**Mr Haggerty:** Next Wednesday?

**The Chair:** Yes, next Wednesday. Mr Beer will be here at two o'clock, and we are attempting to get the Minister of Housing (Mr Sweeney) to come as well.

**Mr Daigeler:** Does that mean that most likely we are going to meet on Thursday?

**The Chair:** Most likely, regardless of the fact that it is Lisa Freedman's birthday on the Thursday, we are going to have to meet Thursday morning to give instructions. We may not, but I think it is important, considering the number of housing advocate groups and interest groups that we have, that we try to get Mr Sweeney to talk to us. It would seem to me that if we base our report on any of our presentations, we are going to have a fairly strong statement on housing.

**Mr Daigeler:** Is the likelihood that we will be meeting on Thursday?

**The Chair:** I would say in the morning. Anyone who cannot be here simply has to get a sub.

**Mr Haggerty:** What time do we come back now?

**The Chair:** Two o'clock this afternoon.

**Mr Haggerty:** I thought the mayor was coming in at 1:30.

**The Chair:** We cannot co-ordinate it all.

**Mr Haggerty:** Oh, I see.

**The Chair:** He will be here at 1:30 pm on the 24th.

The committee recessed at 1140.

## AFTERNOON SITTING

The committee resumed at 1404 in room 228.

**The Chair:** As stated earlier, we have agreement by the two opposition parties that we can begin on time if for some reason they are tied up in other committee work or whatever. We will take advantage of that kind offer and try to do so.

We also have some scheduling items to talk to today but I would rather wait until a little later to do that. We can discuss that in a while. The clerk can give me a kick when it is time to do that.

Our first presenter this afternoon is from the Toronto Home Builders' Association, the new president, Chris Mullin. Please come forward.

**Mr Mullin:** Is this forward?

**The Chair:** That is forward. If you would have a seat, we need you to speak into the microphone for the purposes of electronic Hansard. Introduce your associate and begin whenever you are ready. We have set aside about 30 minutes for your presentation questions.

### TORONTO HOME BUILDERS' ASSOCIATION

**Mr Mullin:** We certainly appreciate the opportunity to meet with the government on the next budget. I have with me Dave Keenan, who is president of land development with Coscan Development. He is also the first vice-president for the Toronto Home Builders' Association.

We have a bunch of kits. There is plenty of bedtime reading in those. Rather than go through the whole song and dance that is in them and bore you stiff, we thought we would briefly go through the highlights and the low lights and then perhaps we could open it up to questions.

I guess the biggest problem facing our industry right now is reported in today's Toronto Star, in the business section, "New Home Sales Slide But '89 Prices Up 29 per cent." I think this is going to have a big effect on the government in trying to balance its budget, depending on how much you are depending on our industry to provide that revenue.

In 1988 we provided 35,000 sales and in 1989 that slid down to 15,300. If the revenue that is projected from the housing industry is projected on a formula basis—in other words, a percentage of each unit delivered at an average price—I think there is a great opportunity here for the government of Ontario to have a significant shortfall.

I guess our basic thrust on what we presented in our kit is that we have been taxed to death. We

are tired, we are beaten, we cannot afford any more, and if we push it any further we are going to kill the goose that is laying the golden eggs, not only for builders but for the consumers and also for the province.

Presently we are looking at a tax structure where if we put a building on the market at \$237,000, which is not easy for us to do, the total tax implication on that unit is about \$40,000. We are obviously very concerned about that.

In terms of the provincial economy, we generate approximately \$18 billion through our 1,000-member association, both new homes and renovation, and that generates roughly half a million person-years of employment. Naturally, we are concerned that if those units do not come through in 1989 as they did in 1988, we are going to run into some problems.

Also, we are not terribly excited, as you know, about the Development Charges Act. We feel that will add approximately another \$5,000 to \$10,000 to the cost of housing. I think you are aware that the Ontario Home Builders' Association will be launching a constitutional challenge on that subject, which would also have an impact on your revenue generation. Obviously, we are going to have a problem if the municipalities are out enacting the legislation and dependent on that revenue and then three years down the road find the court orders that the revenue be deferred back to this sector. That could have some rather negative impacts.

On the goods and services tax, I will turn it over to my cohort Dave Keenan to give you what the implication to us on that is, although of course we recognize it is not a provincial jurisdiction.

**Mr Keenan:** Just on that point, and I will be very brief, we have spent some time working with the Blenkarn commission and its technical people. We have assessed the way they have done their calculations. We also have engaged the services of economic and financial consultants.

Typically, looking at the average house in Toronto, we have concluded that the GST is going to add about \$9,000 to \$10,000 to the price of that house. In relative terms, on a \$300,000 or \$250,000 house, that might not sound that much, but you have to look at the consequences.

This is a tax that will be paid after closing. This is a tax that some people might have difficulty financing, because it is after the purchase of the



house and not within the mortgage statement, and even if they did financing, if you look at the implication of financing \$8,000 or \$9,000, over a 25-year period it amounts to somewhere around \$20,000 to \$30,000 of extra cost as a consequence of the goods and services tax to that home buyer before that house is finally paid off. That is quite an impact.

**1410**

**Mr Mullin:** Referring to what shopping list we have, really we do not have a shopping list. We recognize that the government is having enough trouble trying to balance the budget without our coming cap in hand and asking for more in terms of subsidies and so on. I think Alan Tonks, chairman of Metropolitan Toronto, is announcing on Friday a program on the infrastructure for Toronto, but infrastructure is a huge problem: the services, the roads, and so on, so that we can bring the housing on stream faster.

Also, getting a block of land through the raw stage to the registered subdivision, there are 30 different agencies involved. That is slowing the process down considerably and adding considerably to the price of the end lot. What we are concerned about in Toronto is that up to 60 per cent of the house price is land revenue. When I first came into the business 20 years ago, it was about 20 to 30 per cent, so it is going up enormously and it is making access to affordable housing just about impossible.

I do not think any program that we can come up with will get around the law of supply and demand. The only way to defeat it is to substantially add to that supply. As far as the Toronto Home Builders' Association is concerned, we would be pleased to work with the government in providing that supply and doing private sector initiatives, through the Toronto Home Builders' Association, in terms of building subways, bringing on Seaton, etc.

I do not think you people have the money and the private sector is the only one left, so we are going to have to work together to get some of this infrastructure on stream.

For our formal remarks, that is basically it, unless David has something to add.

**Mr Keenan:** I would like to add to the point that Chris made about private sector involvement, and I am going to be perfectly frank. That is, in the last three years, I am sure you well know that builders and developers in the greater Toronto area have made money as a result of the growth that has taken place and the push that has taken place in the price of land. Many of these companies look at Toronto as not only their head

office, but the place they want to stay and continue doing business.

As investors, they will keep their money here. One of the ways of ensuring that takes place—and I emphasize this to this committee—is to look at ways and means of doing joint ventures or joint participations; strategic alliances with these people. They want to keep their money working in Canada, and why not keep the money working in Ontario? It is there.

In conversation, some of these people have said, "If you recall back in 1981 when we had a recession here and we had tough times, some of these people took their money and went off into the United States and invested elsewhere." Maybe that is not the case today. If we are looking at a downturn, perhaps what we should be doing is concentrating on keeping that money here and look at these joint participations, whether it is, for example, the Seaton project, development of Ontario government lands elsewhere in the province or, alternatively, the Sheppard line.

I guess the point I have made there is that there is a willingness and, for budget consideration, look at those opportunities.

I also want to mention some of the frustrations we seem to be running into these days in bringing land on where there has been, evolving out of the Environmental Assessment Act, a duplication of requirements and regulation. This has a bearing on cash flow coming back into the municipalities, as well as the province, and in the last 12 months to 18 months, as these regulations start to come into effect, we are seeing that where we could bring on maybe 100 acres of land within a six-month to 12-month time frame, it has now been extended well out for two years in order for the public participation aspect of the Environmental Assessment Act to take place.

That only creates more opportunity for the not-in-my-backyard syndrome to take place. I say that from firsthand experiences out there. That it is really taking a foothold now. It has a bearing on cash flow.

**The Chair:** Anything else?

**Mr Mullin:** That is basically it. We would be pleased to answer any questions your committee may have.

**Mr Reyecraft:** Mr Mullin, you chose to use the example of a home that cost \$237,000, with about \$40,000 of that being taxes or taxation. I am interested, first of all, in why you chose the \$237,000.

**Mr Mullin:** It is from the copy of Spotlight. It was the example used in this. I did not pick it myself.

**Mr Reyecraft:** No other reason? Okay.

**Mr Mullin:** In preparing for this meeting, I noticed it and so I thought I would just speak to it.

**Mr Reyecraft:** Does the \$40,000 tax burden you talked about include existing lot levies?

**Mr Mullin:** Oh, yes. It includes all the taxes.

**Mr Reyecraft:** You said about 60 per cent of the cost of housing is land-driven. So of that \$237,000, \$150,000 would be representative of land.

**Mr Mullin:** Right now, take Mississauga, for example: a 30-foot lot would be about \$4,000 a foot roughly. That would drive a lot there to \$120,000 and you could put it on the market for—1,000 square feet—probably—

**Mr Keenan:** For \$220,000 or \$230,000.

**The Chair:** You do not build them 1,000 square feet.

**Mr Keenan:** No.

**Mr Mullin:** I beg your pardon?

**The Chair:** You do not build them 1,000 square feet.

**Mr Mullin:** No. With that land charge you cannot.

**The Chair:** No, no. It is more like 3,000 square feet on that 30-foot lot.

**Mr Mullin:** If you have that expensive land, the market demands a much larger house.

**Mr Reyecraft:** I have another question, this time to Mr Keenan. You talked about the government entering into some strategic alliances with the private sector. Can you give us some examples of what you mean by "strategic alliances"?

**Mr Keenan:** We are all familiar with Terminal 3 at the Toronto International Airport. That is a good example of a strategic alliance between the federal government and the private sector to bring on a facility that is badly needed, but yet one that had to come on within a time frame—and I stress the words "time frame"—in order to meet the demand.

I will throw out the word "synergy." All I know about what that means is that a co-operative spirit took place. In speaking with the project engineer no more than three or four days ago, they were delighted; both the federal government and, I take it, the municipality, being Mississauga in this case, as well as the former Canadian Pacific Airlines company and others in the private sector, all agreed this was the way to go with this particular project. There is one example.

Other examples of course would be in Europe, the Chunnel or the tunnel between Great Britain and France, which is a private sector and government strategic alliance in order to achieve certain goals and objectives within a time frame.

On the other hand—and, again, I will be perfectly frank—Seaton has been sitting out there for about 15 years and has gone nowhere. There is a golden opportunity to bring on a piece of land that will provide the supply of lots that builders here operating in the greater Metropolitan Toronto area clearly need to address the housing situation in this area, nonprofit, affordable and market housing, and again to stabilize the market. That is what we stress. In the building industry we are looking for stability. We are looking for leadership from you people to give us that stability so that we can plan.

Unfortunately—and this is a personal situation I ran into—I had to lay off young people in December because I do not have any more product to come on out in the Oshawa area. These are people in their twenties who came out of community colleges and the construction management program and I do not have any more work for them. That is the implication we are looking at.

**1420**

**Mr McCague:** Why do you not have work for them? What are the roadblocks in your way?

**Mr Keenan:** A softening housing market, a lack of land that I can buy and a longer-term plan where I can say, "I can keep these people employed and nurture them and bring them along into intermediate and senior management roles." I just do not have a clear enough picture at this point in time and I can only carry them for so long without affecting, again, our operation. They are good people.

**Mr McCague:** While some people might argue that the governments intentionally regulate house construction by lack of infrastructure, I do not believe that to be the case. I am not defending this government, you understand. When you talk about joint ventures, I presume you are saying that a lot of the infrastructure needs, with a good businesslike deal, could be looked after somewhat by the private sector. Maybe you would build a sewage disposal plant, but you would not want to give that to the village or the town or the city—you might want to operate it for a while—and those kinds of things. I guess on the 25 per cent affordable housing issue too, there is a lot of wheeling and dealing that could be done to get more of that on stream if the government displayed more faith in the private sector.



**Mr Keenan:** Perhaps I could just react to the last comment.

My company is involved in operations in North America. Typically in our operation in California, San Francisco in particular, we provide affordable housing. It is not at the 25 per cent mark; it is around 18 per cent. It is a blended project and no one knows whether the neighbour who might be living next to him is on some type of subsidized form of either income supplement or price of the housing. That avoids the NIMBY syndrome—not in my backyard—which unfortunately seems to be plaguing the situation we have now in Ontario, where people just do not want one project called an affordable housing project in their neighbourhood.

**Mr McCague:** Can I just make another point? It seems to me that if the private sector were more involved in the supply of housing within the province, or in the servicing of land or whatever, you would get back to the law of supply and demand, which is not here today. How many acres of serviced land could you buy today at a reasonable price? If you were looking for 1,000 acres, could you find it?

**Mr Keenan:** No. I am looking at the present time for 20-acre tracts, 30-acre tracts and 50-acre tracts. I cannot amass 1,000 acres. Another example: my company, in the Toronto area, during the early parts of the 1980s was bringing on 1,000 lots a year through that process; that is, serviced acres, could you find it?

**Mr Keenan:** No. I am looking at the present time for 20-acre tracts, 30-acre tracts and 50-acre tracts. I cannot amass 1,000 acres. Another example: my company, in the Toronto area, during the early parts of the 1980s was bringing on 1,000 lots a year through that process; that is, serviced acres, could you find it?

**Mr Keenan:** No. I am looking at the present time for 20-acre tracts, 30-acre tracts and 50-acre tracts. I cannot amass 1,000 acres. Another example: my company, in the Toronto area, during the early parts of the 1980s was bringing on 1,000 lots a year through that process; that is, serviced lots. This past year my figure—I reported it to the board of directors—amounted to 325 and that is all I could generate. It goes back to my earlier comment: I am hung up in red tape wherever I turn.

In the community of Brooklin north of Whitby, I could bring on 2,000 units but I cannot because of the new Environmental Assessment Act and the series of steps I have to go through. I make no bones about it. We are very conscious of the environment. That assists us in the marketing

of houses, but the guidelines have to be set out, the rules of the game have to be set out so that we understand it and we can play to those rules. Unfortunately, the leadership with respect to setting the rules and putting the staffing in place to work with us just is not there.

**Ms Hošek:** I notice that earlier in the paper you raise a list of taxes you are not happy with and one of them is the commercial concentration tax. Later on the same page you nod, in a somewhat positive way, in the direction of the last budget, talking about the infrastructure investment that the government is making. I am sure you realize that the commercial concentration tax is one of the sources of income for the new transportation infrastructure.

My question to you is to ask you to be a little more specific about what you mean by strategic alliances and how you expect us to fund the infrastructure—I agree with you that it is a very crucial part of the problem for housing—with what resources and in what way.

**Mr Keenan:** In answering that question, there are a number of examples and I will have to wear my own company cap because of situations I have been involved in. I take, for example, the Ministry of Government Services lands that represent the Whitby Psychiatric Hospital or the old Ontario psychiatric hospital lands at Whitby. I consulted with people from Government Services 10 years ago about how to bring these lands on. These were surplus lands and the capacity was there. I had development close by where I could open up the sewers and allow this to occur. It never materialized, although it is in the planning process.

There is the former training school or Ministry of Correctional Services school in Bowmanville. Again I was involved in some of the earlier discussions, and that goes back to the early 1980s, and it did not take place even though we knew how the lands could be brought on in the development because they were within the urban envelope.

More recently in Aurora—I am trying to think of the name of the institution. It is on Yonge Street at Bloomington Side Road, about 30 acres of land. I have development taking place adjacent to it and not once did government people come in and discuss the ways and means of joint-venturing with us in the oversizing of services to allow for residential development to take place on these lands.

There is Seaton of course. Mr Mullin and I are involved in the group that has put forward the proposal on Seaton and our knowledge of that



area stems back to the last 10 to 15 years. We know how that can be brought on, and similarly what has to be done in order to satisfy the local municipality, the regional municipality, the interest groups out there as well as this government. It can be done. If there is willingness on the part of this government, there certainly is willingness on our part to do it. Those are some examples, but there are many more too that I could discuss.

**Ms Hošek:** Could I ask you to be even more specific. I know there are several groups of people interested in developing Seaton. When you say you can do it, what exactly would you do with a piece of land that you think should be developed to help pay for the infrastructure costs in such a way that the housing comes on stream more quickly and is more reasonably priced? What would you do?

**Mr Keenan:** First and foremost, we would look at establishing a plan that meets the objectives of government and that is affordable housing. I think that is the mandate.

**Ms Hošek:** Okay.

**Mr Keenan:** We can blend that—I mentioned the San Francisco example—so that we avoid that NIMBY syndrome. I think that is another goal we have to achieve, working with the private sector. We know how to do it. We have expertise in marketing. We can do that.

The next point is that I mentioned a number of the companies and financial institutions headquartered here in Toronto, in Ontario that would like to keep their money here. We are prepared to put our money up front in financing infrastructure, financing the infrastructure in the sense of putting the services in the ground and looking at payback periods that might be different from what you see in the norm. Those payback periods might be over a 75-year period or over a 50-year period. In other words, it is long-term investment.

That can be done. That is being done elsewhere. That is another example. In that way the cash demands on the government are not taking place in the year you have to look at in your current budgeting. You look at longer-term capital budgeting and that is where we can participate.

The other point is that I take it that in the Seaton example, the government is looking at bringing on maybe 500 acres or 1,000 acres at a time. That is not comprehensive planning. That is not the way to look at efficiencies in infrastructure. If I am going to size a pipe like that to accommodate 90,000 and the government

is looking at only bringing on 500 acres, then there is a tremendous amount of money put into capital works for something that could occur 15 or 20 years down the road.

**1430**

The private sector would not do that. The government might do that, but we would not do that unless we knew we were participating over the longer term. As I mentioned, investing in the longer term we will look at a longer-term payback, or alternatively, working that cost into our participation in the strategic alliance, our contribution to the strategic alliance. That is one example.

The other thing of course is that in installing the infrastructure we would look at forgiveness of some of the levies in the price of the house. Mr Mullin mentioned that the price component for taxes and levies, although \$40,000, straight levies are probably in the area of \$10,000 or \$15,000 of that amount. The local municipalities would not need that money because this comprehensive development would provide for schools, for hospitals and for day care and other institutional services.

**Ms Hošek:** I just want to point out to you that I think those are some creative ideas, but my understanding of the Development Charges Act allows for a developer to put in the infrastructure and get paid back over time by other people who might be building on the same land. I am also under the impression that the Development Charges Act looks at the whole question of being able to not have to pay the development charges if the services are provided in kind. I am under the impression that the new act we passed, in which you also find some things you do not like, has some opportunities in it to do some of the things you have described.

**Mr Keenan:** May I comment on that? I agree with it. I have been pushing for this for some time. Chris and I have been pushing for this for some time. The reality, though, is that what is out there are 50-acre tracts and 75-acre tracts. We cannot get the large acreage in order to see the efficiencies in the payback periods and the participation under—

**Ms Hošek:** Except for Seaton.

**Mr Keenan:** Except for Seaton.

**The Chair:** The Globe and Mail will tell you that is because it is all owned by two or three people, so that may not be something the government can do anything about.

I have been sitting here attempting to be a good chairman and not get into this, but I must tell you

that this kind of front-end financing of infrastructure has been going on for years, prior to its being formalized in Bill 20 or in any other capacity, in many regions in this province, with developers paying for all the downstream infrastructure that is required, putting up money for various projects in a community and then getting credits against their illegal levies. So it is something that has gone on for some time, and should go on in my view.

Mr Daigeler has a question, but could I ask you something just briefly. As I understand it, Seaton was serviced by pipes in the ground, Mr McCague, by your government some 10 or 12 years ago and was ready to go. I can remember it happening, when the millions of dollars were put into the ground and everyone questioned why. It was supposed to lead to development and yet the development industry seemed to go west. With the exception of Gerry Armstrong and a few others, most of the activity went west, including your firm. In those days, I think it even went as far west as Kitchener and other areas. They seemed to turn their noses up at Seaton. That would be my impression of that, so correct me if I am wrong.

**Mr Keenan:** Yes, it would appear, the optics would appear that we went west. The realities, though, are that we invested heavily into Whitby, invested heavily into Oshawa and also purchased land in Pickering.

Unfortunately, in Oshawa it took us 10 years, from 1974 to 1984, before I could bring that parcel of land on because of the regulations established under the Regional Municipality of Durham Act. In Whitby, fortunately, I saved some time. I brought that piece of land on in eight years even though the trunk sewer was 50 feet away from my property line. I could not tap into it because of the regulations.

In Seaton there was never the opportunity for us to participate with the province, so without the door being open, yes indeed, we basically stepped back. The capital works that are in place for Seaton are sitting there and they have been sitting there for some time, but what has happened is that some of that has been shifted off to the York section of the York-Durham line and development has taken place in the Markhams, the Richmond Hills and the Vaughans, not around Pickering.

The other point to Pickering is that, let's face it, two major waste disposal sites in the area where these lands had been designated for development make it a pretty tricky business in

trying to develop land and market it in that situation.

**The Chair:** We probably should have put an hour in for you guys.

**Mr Daigeler:** Just very briefly, a comment than a question: I must say I have some question about the very premise on which you have discussed it up to now. I really wonder whether we can continue to give single-family homes the priority in the part they play that we traditionally have. You still seem to give it the priority place, I guess in relation to market demand.

I wonder whether we do not have to look much more towards multi-unit homes, which is not the same as high-rises. Can we really continue to give everybody a lot and a house on it, or do we not have to look at some of the things that have been happening in Europe where we share the increasingly scarce land through much more creative housing arrangements, and still maintain some of the privacy and comfort of the single-family home?

We can no longer say, "I can't get a 1,000-acre development any more and therefore I can't build the homes." I think we will increasingly have to make use of 75 acres and build the same number of accommodation, and good accommodation, for the same number of people for whom we used the 1,000 acres before. I think we have to do some substantive rethinking, certainly in southern Ontario. Even though Canada is still pretty big, we probably will reach the stage pretty soon where the housing formula has to be different.

**The Chair:** I am going to have to ask you for a very brief comment or perhaps a wrapup to that, because we have extended beyond our time.

**Mr Mullin:** I agree. I think that in the past we have probably wasted some precious resources when we did development and that we have to go back and reprocess some of that development we did 40 or 50 years ago. Every time I drive by a beer store or a liquor store and see all that space above it that is not being utilized, it just incenses me. All the stuff is in the ground, the transportation is there and the schools are there. Why the hell is that sitting there empty?

I mention that to some people and they say, "Who would want to live above a beer store?" I will tell you, a hell of a lot of people would jump at the chance to live above a beer store. We have that waste right throughout the system, so I very much agree with you, sir, that we have to go back and look at that. It is not single-family, but it is home ownership.

**The Chair:** Thank you for your presentation. There was a lot of food for thought. I would love



to take the time to have a conversation with you on some of those items, but I cannot do that now. George would jump all over me.

Our next presenters are the Blind Ontarians Organized with Self-Help Tactics. It is nice to see John Southern here again today and Eric Schryer, a co-ordinator with that organization. There is no written brief, members of the committee. We will hear from John and Eric and we can make notes. This time we will have to pay attention since there is no written brief.

#### BLIND ONTARIANS ORGANIZED WITH SELF-HELP TACTICS

**Mr Schryer:** We would like to apologize ahead of time for there not being a written brief, but we actually have very limited resources.

**The Chair:** That is fine.

**Mr Schryer:** We will speak to that a little bit later on this afternoon. Advocacy groups for disabled consumers do not get any funding from any source other than a little bit of private money, so we have something like about \$2,000 to work with for a whole year to do this type of thing which happens to us on a weekly basis in various areas. I apologize again that we do not have a written brief. We always try.

I will just give you a quick rundown of our agenda. We will give you a little rundown on what BOOST is all about, and also our main talk will be to talk about income maintenance, mobility, access to information in a usable form, the question of funding advocacy groups and, last of all, the question of employment equity. I will turn it over to Mr Southern, who will speak on BOOST and then on the question of income maintenance.

1440

**Mr Southern:** Good afternoon. It is nice to be back once more in front of the committee. Next year you should invite me to sit as an unofficial member of the committee. It might be easier for me.

I have presented on behalf of many groups and I think it has been a while since I presented on behalf of BOOST. For any new members of the committee, BOOST is a self-help group, of blind people mainly, and we were formed 15 years ago. It will be our 15th anniversary in February. The major focus of BOOST was to try to give blind people some kind of control over their own lives.

Fifteen years ago the only organization or name of the game in town was the Canadian National Institute for the Blind. It said how and what happened to blind people, but now blind

people themselves, I am glad to say, are starting to take control over their own lives and demand the same quality of life as everybody else in Ontario.

I think that is a major point, when you see the boom over the last couple of years, especially in southern Ontario. Unfortunately, not too much of that wealth has trickled down to disabled people, and particularly to blind people, in our province. I would like to see that change, hopefully, in the next few years.

I have been involved in the self-help movement, and particularly with BOOST, for 13 or 14 years now. While we have seen some improvements, we have still got a long way to go. We are still dealing with the same major issues. Access to information in a usable form is one of our biggest issues. There is not much information available to the print handicapped, even today. Improved coverage of blind people, in particular, and handicapped people under the Ontario Human Rights Code and other human rights jurisdictions is improving all the time, I am glad to say.

Education opportunities: I think there has been some improvement there. Still, one of our major issues is employment equity, which I will talk about a bit later.

Yesterday, I presented as part of the Income Maintenance for the Handicapped Co-ordinating Group. I cannot really improve very much on a brief that was mainly prepared by Harry Beatty of the Advocacy Resource Centre for the Handicapped. It was a piece of excellent work, and I hope everybody has taken the time to read that brief. On the other hand, there are some issues that I would like to hone in on a bit.

One of the groups that I hoped, particularly sitting on the Social Assistance Review Committee, would benefit was be blind people. While I certainly kept the welfare of all the citizens of Ontario in mind while I was doing my deliberations on the committee, I tried to ensure that blind people were not forgotten.

Unfortunately, it appears that they were. There have been improvements to employment with the supports to employment program. Not too many blind people at this time have the opportunity, regardless of how good that program is, to participate in the employment fields. Also, particularly in Metropolitan Toronto—you could count it as good luck or bad luck—many blind people tend to live in subsidized housing and they will only see a six per cent raise in social assistance this year. A lot of people around BOOST are phoning and saying: "I thought you



were on this big committee that was going to get us some extra money or something or improve our lives. When is it coming?" Quite frankly, I do not know what to tell them.

I hope that the committee will certainly impress on Mr Nixon and everybody else and that the members of the government here today will think of the Transitions report and not think that the fight is over. Although certainly the government did put a fair amount of funding into social assistance last year, I hope that is just the money to open the door and that lots of improvements will follow. I hope this time next year I will have a lot more to thank you for than I have this year and that the BOOST phone will ring for other reasons than social assistance.

You would be surprised how many calls we actually get regarding that issue. In fact, I have had three today. We get some nearly every day, just regarding the survival of people on social assistance. I think the Canadian Conference of Catholic Bishops suggested that there are probably more food banks in Canada than there are McDonald's restaurants. Personally, I have not counted either one of the groups; I do not know how true it is. But if it can even be assumed that there are more food banks, I think that is wrong and society should right that wrong.

Many blind people, believe it or not, cannot even access food banks. They do not know where to find them, they do not know where they are. I should tell you I have had a few calls in the past year from blind people, and I am not making this up. It is true and I would swear on whatever you want me to swear on.

I talked to one blind person who had not eaten a thing for four days and one person who had not eaten anything for two days. Is this a rich province or what? I do not know. There are people who are starving. Neither of those two people live in Blind River or Sudbury or places in the north; they live in Metropolitan Toronto, so you can imagine what it is like in the rest of the province. They probably cannot even afford to tell me that they are starving.

I hope to see a real improvement in social assistance. I know there are not too many people presenting on SARC, like last year, but I am still as enthusiastic and I know the BOOST board of directors and the membership would lynch me if I did not tell you that fact. I will pass the floor to Eric.

**Mr Schryer:** The next issue is mobility. Just to put it simply, mobility to blind people is what wheelchairs are to the physically disabled. Basically, if you consider the whole problem,

one of the main *raison d'être* of BOOST is the independence and integration of blind people. Also, when you start talking about employment and things of that nature, one of the main things we have identified is that there just has been a very, very bad lack of mobility training, not only in the province but in Canada as a whole, as opposed some other western nations like the United States and Britain, which have made a lot more improvements in that area.

Just to kind of give you a bit of an idea, if you consider there are about 60,000 blind Canadians, 40 per cent of which are in Ontario, which is about 25 per cent, a third of them need mobility training. When you also consider that there are only an estimated 45 full-time, active mobility trainers across Canada, seven of whom are in the Metro area, which has about 3,000 who need immediate mobility training, you get an idea of what kind of problem we are up to. Then we spoke to the Ministry of Community and Social Services and it basically said there just is not any money available, and that is regardless of who does the work, whether it is the Canadian National Institute for the Blind or other groups. There just is not any money available, that is basically what it is saying.

The only positive point, I would say, in the works right now is the Mohawk College project for the training of mobility trainers. We understand that it is coming on line this September and that there are still some questions about the permanence of the funding and other things of that nature. We are definitely behind that project, which puts the training of mobility trainers in the hands of something other than CNIB, which basically is a private group. We find that a community college handling that training is quite good, quite positive, but that still leaves the problem of who is going to give mobility training to those estimated 10,000 people across Ontario who need mobility training right now.

Like I say, this is one of the most fundamental points. How can you get a job if you do not know how to get there? How can you get an independent lifestyle if you do not know how to go anywhere? Also, considering that two thirds of all blind people are seniors and the senior population is growing rapidly as time goes on, we can see an increase in the need of mobility even over and above the statistics today.

#### 1450

I think I have pretty well spoken to that quite well, so that leads into the next topic, which is access to information in a usable form. BOOST is quite pleased with the new policy that the

government has introduced in the past year of providing information in a usable form. The main concern we have is that, in reality, the implementation of these policies could be very difficult. We see a lot of resistance in the area, that it is going to cost a lot. The way we interpret it is we think there will probably be a certain amount of extra cost in the next stage of the implementation, considering it is something people are not used to. The bureaucracies just are not used to how to deal with this problem.

We would like to point out that actually, once this policy has been implemented, the costs will then level off quite a bit, once it becomes second nature and the procedures are in place and so on. We have been finding that we are still asking for information and people do not have it or say they are trying or they cannot do it or they do not know how to do it or we wait for months to get it. We are talking about just basic information that the government provides, like pamphlets, reports, etc. A good example would be when the guidelines came out from the Ontario Human Rights Commission. They provided some information in usable form on tape. It was good that it was happening, but they left out some pages. The thing was an 11th-hour effort and there were all kinds of problems involved.

We understand that is the kind of thing that will happen when we are attempting to put a new policy in place. What we are hoping is that this policy will not just fall apart and eventually the information just will not be available any more because of the cost and the difficulties.

I guess we are pretty well covered on that, so I will turn it over to John again. He has a few comments on the problem of funding of advocacy groups.

**Mr Southern:** When I first started working with BOOST and we used to meet with politicians to talk about some of the problems faced by disabled people, their comment was usually, "I didn't know that," "Oh my God, I wasn't aware of that," or whatever. But I am glad to say—and for a change it is in praise of politicians—they seem to know a little bit more about what we are talking about these days. That is mainly due to groups like ours, Persons United for Self-Help in Ontario and various other self-help groups around the province. I think the major service providers certainly fell down on advocating on behalf of disabled people. I guess they were not willing to bite the hand that feeds them, so it just was not being done.

But I think if government really wants to work with the disabled and wants to know what we are

thinking and what our aims and goals are, then it has to assist us to bring that message to you. The provincial government of Ontario has been poor in this area of providing any kind of core funding or any money at all for groups like ours to do any kind of meaningful advocacy. I would like to see some improvement in that.

We have got some money this year off the provincial government to assist us with a bit of membership development and to put out our publication, *The Third Eye*, and that is really the first money we have had in 15 years from the provincial government. There has been some improvement, but we certainly think more money should be fed to self-help groups like ours. I guess there are many ways you could do it, through the Office for Disabled Persons or whatever, but certainly there should be more funds made available.

Employment equity: I guess BOOST was one of the first groups of disabled people to call for any kind of quota system, as we used to say in the old days. We are supposedly not meant to use that term these days, we just talk about employment equity and goals and timetables and whatever, but the premise is the same, I think. There should be some legislation to enforce that disabled people, and particularly blind and visually impaired people, get equal access to the workplace, as I said. I know the Ontario government has its own internal plan, which we hope will work well, but we hope that soon that will be expanded, as I think was promised, to the broader public sector, and hopefully even to the private sector in Ontario. I think everybody should be made to participate in lowering the social assistance figures of disabled people. I think there are over 90,000 people on family benefits with disabilities now and that figure could certainly be lowered. I would bet you at least 30,000 of those 90,000 are capable and willing and they want to work.

I guess one other issue we should mention is that there should be some money to assist disabled people to improve their lives. I think that if you improved the assistive devices program—we mentioned it yesterday—not only would it help improve the environment of the lives of disabled people, but eventually it may lead to employment and it may lead to disabled people providing whatever they need in their own lives for themselves and becoming full participants in society, taxpayers and less of a burden on society. I think we need that hand up as opposed to that handout, but at first I think we are



going to need a lot more funding to allow us this independence.

Do you want to add any more points?

**Mr Schryer:** No, I think that pretty well covers it.

**The Chair:** We do have some questions. Do you want to go to that now?

**Mr Southern:** Sure.

**Mr Cleary:** I guess, John, I was here last year when you made your presentation, but one of the questions I had for Eric kind of answered it already. I know last year you stressed training and job opportunities, and I guess my question to you is, do you see that there is an improvement in job opportunities over the past year, especially in the younger people who are blind or disabled?

**Mr Southern:** No, I do not. It is funny, there is more talk about people being willing to investigate employing disabled people and there are companies who are hiring consultants to look at the area of how to accommodate disabled people. I think there is an overemphasis on the "how tos" and the "why fors" and the costs. I think people should just do it. Some questions need to be answered, but I think there is an overemphasis in this area and I think it is just a tactic to stall sometimes.

For the majority of disabled people, it does not cost a fortune to employ them. Nowadays with blind people, for example, you can convert and adapt, at very low cost, existing equipment, and I think it is an unreal fear that employers still have that employing disabled people will bankrupt the companies. I am glad to say that we know some people who have been seeking employment for years and have obtained employment, but there are still a lot out there who have not.

**Mr Schryer:** Can I answer this too?

**Mr Southern:** Yes.

**Mr Schryer:** You mentioned young people. This brings us back to assistive devices. My understanding now is that the cutoff point is about 26 years old, and one of the catch-22s a lot of blind people get caught in is that one of the crucial technologies for blind people is computer technology. I am talking about access technology, large print, voice and so on, not computers the way they are used normally, although they use the same computers.

One of the things a lot of people are into is that if you get a job, there are various ways of obtaining access equipment, access technology, through vocational rehabilitation. That is only if you have a job, and in many cases you cannot get a job unless you have the computer technology,

so the situation that is improving somewhat is that younger people—we are talking about teens and people in their early 20s—are getting more familiar at an early time of their lives with computer technology and they can get equipment through the assistive devices program. But if you take most of us who are in our 30s, 40s and 50s and we are still waiting around, by the time assistive devices reach us we are going to be gone.

1500

That is an indication that there are some improvements in the area for younger people. As to the expectations of younger people, they have in some ways benefited from the 15 years of struggling that groups like BOOST have done, in the sense that they do expect to be employed and to get jobs and to participate in society, and there have been some slight improvements. So it is true that as you get younger things are somewhat better. That still leaves that large gap starting around the mid-20s on, where we have unemployment figures estimated to be between 16 and 85 per cent. I am talking now about people of working age, not seniors.

**Mr Allen:** First of all, I do not think the presenters need to apologize for coming to us without a written brief, because they do not have the means to do a lot of high-tech production of briefs for committees. I think the apology needs to be on our side, both as a society and in terms of government, that they still find themselves as organizations and as individuals so underresourced that they in fact are not able to do what many other groups are able to do as they present their cases before committees like this. So I want them not to feel that they have to issue that apology and I think they should take it back. I will give it to them.

I would like to ask John a question. I know he has been very deeply immersed in the whole social assistance issue and we are all aware of that and grateful for the work he has done. I sometimes wonder whether the Treasurer (Mr R. F. Nixon) in particular, but the government as a whole, would not take the problem of the poor at large and of the disabled in particular perhaps more seriously if they did a regular accounting or inventory of the cost of poverty and disability to the economics of the province; that is, the failure to be employing people who have abilities who should be employed and be productive, the impacts in terms of social programs, corrections, what have you, of an unwillingness to deal with the poverty in families, the family violence that



has escalated as a consequence of family difficulties of income, etc.

Would that be a recommendation you would be prepared to make to the Treasurer as he goes into his annual budgetary exercise, that he do an inventory of the real costs of poverty to us all?

**Mr Southern:** Definitely, and in fact it sort of gives me the opportunity to say there are a couple of ways, obviously, that the government should do that kind of a study, but I think also it should establish maybe a consumer monitoring group to keep track of the implementation of Transitions and other social assistance reforms. That really needs to happen.

I mean, the cost of poverty, even in my own life—I could use myself as an example—a couple of years ago my marriage broke up and I think partially that was due to working on a part-time contract and not being able to plan for the future. I do not blame people for getting frustrated with that. I understand my ex-wife's feelings; it is hard to take. You do not know where you are going to be three years down the road. You hear people talking about the cost of housing, such as the group presenting before us. I mean, they are just dreams beyond my dreams to ever own a house. Seeing the wealth all around us, particularly in Toronto, it is particularly hard for disabled people to take, and I think the human costs are immeasurable. I really think something has to happen in this area.

**Mr Allen:** Could I ask also, since the Ontario government and Canadian governments generally are an exception among Western governments in their unwillingness to institute a tax on real wealth in our society on a regular basis, and given the apparent unwillingness, for example, of the government to meet all of the first phase reform requirements of the Social Assistance Review Committee, and my understanding of the mathematics of a wealth tax on the same scale as is imposed, for example, in most European countries, it would issue about \$500 million additional income to the province.

Do you see any reason why the government should not immediately complete the first and embark on the second phase of the review committee's social assistance rate increases?

**Mr Southern:** No reason whatsoever. I think we should do it. It is funny, you know, being on the SARC and as you go around a lot of business people, although they were not willing to make presentations to our committee, and, Lord knows, we asked them to, they would certainly say to me: "I'm tired of do-gooders and bleeding hearts asking for more social assistance. We're

getting taxed to death." But of the major corporations, I believe only something like nine per cent of corporations paid any tax in this country last year, or something as low as that.

You talk about government subsidization. I think private enterprise is highly subsidized in this country, over \$30 billion in subsidization across Canada for industry. I know industry needs that helping hand but, Lord knows, so do we.

As you say, I think everybody should play a role and I think if wealth were more evenly distributed, life would be better for us all.

**The Chair:** Thank you for that and for taking the time to come here. At least one thing I can certainly agree with Mr Allen on is that there is no need for you to apologize; your presentation was excellent. Thanks for coming today. Our research staff have made notes and of course we have your comments in Hansard.

**Mr Southern:** It was sort of strange, really, in one way. We now have a computer and a printer and we could do Braille and print if we had the manpower to write the brief even, because I am only working part-time and so is Eric. We just cannot do everything.

**The Chair:** Just on a personal note, by the way, my 70 years young mother is blind and has been for a number of years, so I understand many of the problems you talk about.

**Mr Southern:** Thanks for your time and we appreciate the opportunity to appear before you. Do not forget what we had to say, brief or no brief.

**The Chair:** Very briefly, we have six additional groups that have requested to appear. Mr Allen, I would need an input from your party, if I could.

**Mr Allen:** I will be here.

**The Chair:** Okay. There are a number of things we can do. We can schedule an extra day of hearings at some point or we can simply have a couple of longer days the first of next week. Instead of stopping at four, we would fit these groups in between four and six on Monday and Tuesday, if that is agreeable. One group requires half an hour, the others we would probably give 15 to 20 minutes and put those six additional groups into the two days. The other option would be to schedule another day for hearings on 5 February.

**Ms Hošek:** Is that a Monday?

**The Chair:** Yes. That is the day we would be coming back for some report writing, is it not? So we would simply extend the report writing to the

6th. We would meet on the 5th, give instructions to the researcher on the 6th and consideration of a draft report—you are going to be up all night writing that—on the 7th and 8th. What is the wish? We either extend those two days from four until six and fill in those two hours or we sit an extra day.

**Mr McLean:** You cannot sit on the afternoon of the 24th and then give instructions to the researcher on the 5th?

**The Chair:** We have the Honourable Charles Beer and possibly John Sweeney coming on those two days. We have got a confirmation from Mr Beer; we have just asked Mr Sweeney today.

**Ms Hošek:** Mayor Eggleton is coming that day as well.

**The Chair:** We could sit on the morning of the 25th. So your options are longer day sittings next week, sit on the morning of the 25th and give instructions to the researcher in the afternoon; not sit at all on the 25th, hearings in the morning of the 5th and instructions in the afternoon, and consideration of the draft report on the 7th and 8th.

1510

**Mr Daigeler:** Just for myself, I am in favour of 25 January, your first proposal.

**The Chair:** The first proposal was longer days, shorter nights.

**Mr Daigeler:** No.

**The Chair:** "Longer days, shorter nights." Sounds like a song.

**Mr Daigeler:** No. I thought the first one was that we have the hearings on 25 January in the morning and instructions in the afternoon, but that is just my own personal opinion.

**The Chair:** Do you want to do that Thursday morning, 25 January?

**Ms Hošek:** I cannot do that. I am on another committee.

**Mr Reycraft:** I am not able to be here in the afternoon of 25 January. When would we give instructions to the researcher if we did not do it in the afternoon of 25 January?

**The Chair:** On 5 February.

**Mr Reycraft:** Actually it is the same committee that would keep me away too. I am sorry.

**The Chair:** I do not want to lose the whole afternoon doing this.

**Mr McCague:** In fairness, we have a schedule that showed meetings on 25 January. Why do we not meet on 25 January and give instructions to the researcher on 25 January? These two weeks

were set aside to do the job. Why don't we get it done?

**Mr Daigeler:** I did set aside 25 January.

**The Chair:** How about you fellows, 25 January?

**Mr Haggerty:** I have difficulties with 25 January, the whole day.

**Mr McCague:** What would happen if we in the opposition parties had difficulties?

**The Chair:** As you said yesterday, I attempt to run this in a nonpartisan fair manner, Mr McCague, and will continue my best efforts.

**Mr Haggerty:** Hopefully, I will have somebody to fill in for me that day.

**Mr Allen:** I cannot speak for my colleagues who are normally on this committee. All that I can surmise is that if you have set aside certain days to meet, those are the meeting dates they are expecting to have set aside on a general basis. Therefore, the closer you stay to original dates, the safer you will be from my colleagues. Other than that, I have no advice to you.

**Mr Daigeler:** So 25 January is set aside?

**The Chair:** Yes. Let's try to set it for 25 January. Anyone who cannot be here can attempt to get a substitute. We will operate on that basis.

Let's get back to our presenters. The next group is the Ontario Real Estate Association. Our lead presenter is Moira Schiedel. Welcome.

**Ms Schiedel:** It is such an awkward name, I answer to any composition.

**The Chair:** Okay. You are first vice-president of the Ontario Real Estate Association and I will leave it to you to introduce the other familiar faces to us. We have set aside about 30 minutes for your presentation and questions by members of the committee.

#### ONTARIO REAL ESTATE ASSOCIATION

**Ms Schiedel:** I am Moira Schiedel, first vice-president of the Ontario Real Estate Association. With me this afternoon I have Tom Bosley, who is a vice-president, Kevan O'Connor, our political affairs chairman, and Jim Flood, the director of government relations for our association.

I would like to thank the committee for allowing us to appear before you today. Perhaps it goes without saying that the provincial budget has a very significant impact on our association, both as realtors and individuals.

As you will see from the written submission, our association represents over 50,000 real estate brokers and salespeople in Ontario. Most of

those individuals are engaged in the residential real estate market. Government tax policies that affect real estate are particularly important to our association.

It is our submission to the committee that after two years of massive tax increases at the provincial level, the people of Ontario are in no mood for new or expanded taxes in 1990. I think we are coming relatively close to breaking point in Ontario and the public has pretty well had it with large tax increases at any level of government.

While we are aware that there is very little the Ontario government can do with respect to national fiscal policy, we think it is important to point out that the policy of the Bank of Canada of boosting interest rates in an effort to contain inflation is one of the most significant detriments to affordable home ownership in the province. Mortgage rates in Ontario are too high and it is our hope that the provincial government will do whatever it can to convince our friends in Ottawa that, given the current economic climate, high interest rates hurt more than they help.

In broad general terms, the Ontario Real Estate Association is concerned with the trend we have perceived in recent budgets to balkanize our tax system by singling out individuals for different tax treatment depending on where they work, as is the case with the commercial concentration tax, or where they choose to live, as is the case with education lot levies. We believe that these represent examples of bad tax policy and that the principle is inequitable.

In looking at this government's tax policies with respect to real estate, we have concluded that we could all benefit from a period of benign neglect from the government. The imposition of education lot levies, which will only begin to be felt in the province in the coming year, will result in substantial increases to the cost of new housing and, eventually, the cost of resale housing. In addition, revenue from the land transfer tax continues to increase dramatically. It is our sincere hope that the government will come to realize that the home owners are not an inexhaustible supply of tax revenue and will not burden them with any further increases in 1990.

Approximately two months ago, the Ontario Real Estate Association appeared before this committee to express its strong opposition to the employer health tax. As we pointed out at that time, the tax represents approximately 25 per cent to 40 per cent of net profits in the real estate industry. This rate, I suggest, even the government might admit is a little excessive. Regard-

less, the legislation is passed without any significant amendment and we are left to cope as best we can.

It is simply incomprehensible to our association that we cannot convince the government to soften the impact of this legislation on our industry, but that would appear to be the case. We none the less again respectfully ask for some relief and are prepared to work with government to do whatever it takes to right the situation.

There are a number of additional points relating to the 1990 budget that are contained in our written submission and we will be pleased to do whatever we can to answer any questions on them.

**Mr McLean:** Your forecast for 1990 is relatively good. You see a severe slump in 1991. When you listen to Lou Rukeyser and some of the brokers, they are saying that we are in a slow period now. What do you foresee for the balance of 1990 as far as the real estate market forecast is concerned? The statistics I saw were way down with regard to new homes and resales. You are very optimistic.

**Ms Schiedel:** I believe there will be a change in the market in 1990 based on the implementation of the GST, which takes effect in 1991. I realize that is a federal policy, but that is going to have a significant effect on the real estate market. I can foresee that perhaps there might be panic buying in new houses. That will have some impact on the 1990 market.

**Mr McLean:** But the home builders indicated that their market is shrinking. They cannot get the land to build on, it takes a long time to get approvals and therefore the building of homes is going to be down. Do you not see that as an indication of a slump in your market?

1520

**Mr Bosley:** I am in the central Toronto area and deal basically with the city market. I probably cannot crystal-ball any better than anybody else. I have been in the business 22 years and I have seen some ups and downs. In a sense it is crystal-balling because I think the market in 1990 is going to be very dependent on the public's reaction to and acceptance of the GST.

The market in Toronto has been what I would call slow and quiet since last April; it has been almost a year. What we have seen is a total switch from what we had previously. The market is very much supply and demand and we have just a huge supply out there today, but we also have in my opinion a building demand. There are a lot of



people wanting to buy who are waiting for interest rates to come down, who are waiting for the economic climate to be perhaps more positive. On the other hand, they are sitting and looking and saying: "This GST is coming in. It's definitely going to cost more money to purchase a resale house." Even though the GST does not apply particularly to the price of the house, it applies to every other service involved in purchasing or selling a house.

On the other side of the coin, on a provincial level you have Ontario land transfer taxes that are just up astronomically in the last five years, which again adds to the cost. You have your lot levies. You have all these additional taxes coming on from a provincial level and a federal level. If people are thinking of buying or selling, I think they are going to do it this year. I am looking for more activity towards the latter part of this year as far as buying and selling is concerned. I think 1991 is going to be anybody's guess, but it is not going to be positive.

**Mr McLean:** Would it be positive to say that a home today, equally as of 1991, would probably in 1991 cost \$20,000 more than one would today by the time you figure the impost levies, the GST, whatever it is, would increase—

**The Chair:** Cost that without taxes.

**Mr McLean:** No. Today your home is probably 40 per cent taxes. If you purchase a new home today, what per cent would be in the form of—

**Mr Bosley:** I do not think it would be 40 per cent, but it has certainly substantially increased over the last two or three years. This is part of the problem we have, or I certainly have, and I am speaking, I guess, on behalf of myself and our association. We have had meetings with the federal and provincial governments and with Ms Hošek about the government's attitude towards affordable housing.

On the one hand we hear, "Yes, we want to set policies in place to try and assist people to buy houses, first-time purchasers, etc," and on the other hand we get all these new taxes and levies coming down the pipe that are doing nothing but forcing the price through the roof.

Your question was originally about the state of the market today. I am basically saying that I think 1990 is going to see some increased activity simply because people are going to want to make their move before 1991.

**Mr O'Connor:** Perhaps I can just add with respect to your comments about what is going on in the market. There are great regional differ-

ences in what is going on. The comments in terms of our forecast about the market are from an overall provincial perspective, but as Mr Bosley indicated, things in Toronto have been quiet for some time. While that has been going on, communities within a one- to two-hour commute of Toronto have seen their markets just continue to go right through the roof in terms of volume of activity and corresponding price increases.

I am from the Niagara region. The city of St Catharines and its jurisdiction as a real estate board has seen more than a 30 per cent increase in dollar volume 1989 over 1988, 1988 being a banner year as well. That is not untypical of what has gone on in Peterborough, Lindsay and everywhere around the city of Toronto. I think you will see the averaging of those effects coming out as a projected increase in overall volume on a provincial basis, but there certainly are great regional differences in what is going on.

I think the other aspect of that—your comments seem to be tied to new housing—is that although there are new houses sold through our MLS systems, the vast majority of sales are resale in terms of the statistics we have put forward.

I have just one other point with respect to your comments about the effect of taxes on new housing recently. I am sorry we do not have it completed to present to you today, but we have undertaken to develop a model of the effect of taxation on new housing, trying to project the effect of the GST and so on. We hope to have that completed some time within the next couple of months and we will certainly forward a copy of our findings to the committee.

**The Chair:** Maybe you could help me understand this. You are suggesting there will be a move to beat the GST in 1990. I assume you are basing your results on the fact that the GST will drive up the price of new homes that are being built and that will in turn affect the price of resale because it will affect the market.

**Mr Bosley:** It will also affect the purchase of a resale house.

**The Chair:** Could you explain how.

**Mr Bosley:** You are suddenly going to have taxes on your appraisal fees, real estate brokerage fees, moving costs, surveys. Everything to do with buying or selling a resale house is basically going to be taxed, other than the actual purchase price, so while it will not be as substantial as a new house, there will still be a lot of increased costs.

**The Chair:** Have you done any kind of analysis on what percentage of the cost of a new

house would be subject to the present federal sales tax?

**Mr Bosley:** On a new house?

**The Chair:** Yes, whatever manufactured products would be in a home would have that, on a sliding scale. We all use 13.5 per cent but it is not always 13.5 per cent; I think it goes anywhere from eight to 17 per cent or something. For continuity's sake, what percentage or what cost in a new house would represent the 13.5 per cent federal sales tax today?

**Mr Bosley:** Jim, can you answer that?

**Mr Flood:** We have some of the numbers. Most of the data that have been developed on GST impact have been done by the Canadian Home Builders' Association. The numbers are available. We will undertake to provide them to the committee.

**The Chair:** That would be helpful. I was wondering because my concern about the GST—Mr Reycraft in a second has a question—was that if that 13.5 per cent comes off legitimately and you see a correlating reduction in price, and I smile too—

**Mr Bosley:** Does anybody expect it will?

**The Chair:** No. Exactly. But if it comes off legitimately or if there is some mechanism put in place to ensure that it is taken off and then the GST is added on, the obvious impact may be less than we fear.

**Mr Bosley:** It will not be.

**The Chair:** I share your concern that will just be left there and allowed to play in the market.

**Mr Bosley:** If I could interrupt for a moment, it will not because the GST is going to apply to the end-price of the new house, which means that the land is being taxed.

**Ms Schiedel:** Also, the federal government has estimated that the average tax on the average Canadian house is approximately 4.5 per cent of the total cost. With the seven per cent GST, that is why they are rebating the 2.5 per cent. It should be revenue-neutral, but in southern Ontario in particular, in some areas where the land represents a much larger portion of the total price of the house, the federal sales tax amounts to only about three per cent. It is a 1.5 per cent difference. Of course, once you get over \$350,000 there is a graduated scale up to \$450,000, and on any homes over the price of \$450,000 there is no rebate to the home owner. They will pay the straight seven per cent sales tax without any rebate.

**Mr Reycraft:** I was going to suggest an answer. First, the Toronto Home Builders' Association, when it was in earlier this afternoon, indicated that the net effect of the goods and services tax would be between \$9,000 and \$10,000 on a new home in the greater Toronto area.

I also want to ask a question. I am curious to know how sensitive the real estate market is or has been to the employment situation in some areas of the province. In particular, we have had a number of layoffs announced in Windsor. Are you aware of whether there has been any immediate effect on the real estate market there?

**Mr O'Connor:** Real estate markets rarely respond that quickly. It almost has to be over and you look back to see what has happened. You would have to look at volumes and levels of sales over a one-, two- or three-month period to really indicate whether there has been a downturn in the market. Without having the benefit of looking at exactly what has gone on there in the last four or five weeks, I suspect there has been very little change yet. I think the downturn in the market will probably come several months after these layoffs occur, if in fact there is a downturn. There may be other offsetting factors in that marketplace.

**Mr Reycraft:** I thought the initial layoff announcements there did occur two or three months ago, so I thought perhaps there might have been an impact by now.

**Mr O'Connor:** My comment is that it is still too early to see it in actual hard figures.

**Mr Bosley:** I can tell you that in 1981-82, when there were tremendous layoffs in the Windsor area, the market was devastated and took about four years to come back. There was a substantial backlash, if you will, from the layoffs. I am sure we can get you numbers on that if that is important to you. I believe Mr O'Connor is correct. It is too early to see the net fallout on the real estate market after the loss of jobs.

1530

**Mr McCague:** I guess you really have only one recommendation here and that is, "Don't raise taxes." I think you kind of admit in your executive summary that you lost that battle.

It is an interesting scenario because you are very good business people and between you and the home builders you are going to scare the hell out of people in 1990 and persuade them to buy houses. Then the public is going to react in 1991 and they are going to buy houses in spite of you.

**Mr Bosley:** I hope that happens.

**Mr McCague:** I think that is going to happen. You admitted it was a crystal ball you are working with, and very much so. If I were betting I would bet I would buy cheaper in 1991 than I would in 1990, because you will get them all pepped up in 1990 and they may end up being a little bit overpriced. You will not agree with that but I just thought I would mention it.

**Mr O'Connor:** It is an interesting scenario. I think you are hitting on a very important point. I think the rhetoric surrounding the GST debate, like the rhetoric that surrounded the free trade debate, has people so thoroughly confused that the most sinister effect of it is that there will be a lack of confidence. I think it is that lack of confidence in the market, founded on the actual hard facts of the dollars and cents, that will make people pause before they actually make a move. It is that fact that will probably be felt, rather than the effect of the dollars and cents bringing the market down. I might suggest with all respect that the politicians get far more play than the realtors and builders.

**The Chair:** But not as much money.

**Mr McCague:** You have to pay for your ads.

**The Chair:** One final question: Our clerk is in the market to buy a house. Should she buy now?

**Ms Schiedel:** Absolutely.

**The Chair:** I thought you might say that.

Thank you very much. I think the largest individual sector of presenters has been from the housing sector this time around, and it is going to be interesting how we deal with many of the recommendations.

**Mr McLean:** I have had some calls on it. I am curious if there is going to be any great effect, with regard to the employer health tax, on the real estate industry. They tell me that they are individuals, that they will not pay the employer health tax. Is that right?

**Mr O'Connor:** There is great confusion out there in our industry because the type of employment in our industry is not the same in every firm. There are people who are described as independent contractors within the meaning of the Income Tax Act, compared to accountants and doctors and others who are not incorporated, and they will not have to pay. The best example of that is that the Re/Max franchise system, which has the largest number of independent contractors and it is our understanding that they will not have to pay the employer health levy. The majority of real estate agents within the real

estate industry will be paying on the basis that they are employees of a broker.

That is a very important point you brought up with respect to the jurisdiction of the registrar, which runs the real estate business, the concern about protecting the public. He views everyone as employees, whether independent contractors or not. On the other hand, you have the revenue side defining it in a completely different way. We are a little up in the air on that point and we would still like to see it clarified.

**Mr McLean:** I am curious because I phoned the 800 number indicating that I was an agent, that I was on my own and that I anticipated I would not have to pay. The answer I got was that I would not have to. Even though I worked for the broker, I was still on my own. I would anticipate that nobody will be paying the employer health tax.

**Mr Flood:** That is incorrect, Mr McLean. They just gave you bad information.

**Mr McLean:** The government would not do that.

**Mr Flood:** I am sorry. It was obviously a technical slip. The real estate industry is covered except for the individuals Mr O'Connor mentioned. Those individuals have obtained rulings from Revenue Canada to that effect. Essentially the Ontario government is saying that if you are deemed to be self-employed by Revenue Canada, then you are exempt from the employer health tax, but that is a relatively small segment of the real estate industry in Ontario.

**Mr Reycraft:** I will not suggest that perhaps Mr McLean was confused by the response because he confused them with the question, but if he told them that he was on his own and worked for a broker, in effect what he presented was a contradiction. It cannot be both.

**The Chair:** The opposition would not do that.

**Mr Reycraft:** Never, of course.

**Mr McLean:** I indicated I was representing the first position.

**The Chair:** In any event, I want to thank you for coming today and taking the time to be here and make your presentation. We appreciate it very much.

Our next group is the Ontario Federation of Labour represented by its president, Gordon Wilson; Carole-Anne Sceviour is human rights director and John O'Grady is research director. Welcome this afternoon. It is nice to have you with us. We have set aside, Mr Wilson, about 30 minutes for your presentation and questions back from members. If possible, we would like to stay



within that boundary, so we would ask you to begin whenever you are ready.

#### ONTARIO FEDERATION OF LABOUR

**Mr Wilson:** I would like to stay within that boundary too. I have the joy facing me of getting to the airport after we have our session. First, let me thank you for allowing us the opportunity to appear before you. You have already completed the introduction of our delegation. We will attempt to keep our remarks as short as we possibly can to allow an opportunity to engage the committee members in dialogue, so I shall approach it from that view.

Representing working people, we necessarily have a number of concerns currently, notwithstanding the somewhat optimistic views I heard of the presentation before us. We hold an entirely different view in the prediction of how 1990-91 is likely to unfold. We think we are in some difficulty in the economy and surely the evidence is around us.

As Mr Reycraft pointed out, in Windsor layoffs have been in the works for some time. More recently, the president of General Motors had to retract a statement, I believe as late as this morning or yesterday afternoon, on his prediction of last week with regard to the number of workers who would be laid off in the auto industry. Add to that a number of other sectors where clearly the evidence is mounting. Layoffs, to us, are not the effects of negative attitudes. They have some more structural and cyclical reasons attached to them.

We would like to address this afternoon, if we can, two general areas, one dealing with the problems women will face in that economic climate and specifically dealing with the question of pay equity, and second, the problems that will be faced by low-income workers within our economy within that economic climate as well. We would like to speak in some form to the question of wage protection. I would like now to ask Mr O'Grady, who is our research director, to expand upon the wages question with regard to insolvencies and bankruptcies.

**Mr O'Grady:** The particular problem I want to draw the committee's attention to is the protection of outstanding wage and benefit claims in conditions of a business insolvency. We are talking about wages that are owed to a worker for work already performed, termination notice that otherwise would have been due to a worker under the Employment Standards Act, severance pay that would have been due to a worker under the Employment Standards Act, or

vacation pay that would have been due to a worker under the Employment Standards Act. We are talking only about statutory obligations to workers; we are not talking about those additional benefits that may flow from a collective agreement or from a private contract of employment.

The fact of the matter is that there are, as the government recognized in appointing Donald Brown as a one-person commissioner, many workers who because of the insolvency of their employer are not only laid off, but in fact experience an additional economic loss, in that wages or other statutory benefits to which they were entitled remain outstanding at the time of their termination and are never actually paid to those workers.

It is not easy to get an estimate of the number of workers who are so affected. While certainly there are ample data series on bankruptcies in the economy, we all know that the vast majority of business closures, of business insolvencies, are not formal bankruptcies.

In his report on this problem, Commissioner Donald Brown did a survey of business insolvencies during a particular period of time, 1 April 1982 to 31 March 1983, in order to develop reliable estimates on the number of workers who were affected at that time and then by relating that estimate to other economic variables, to provide some reasonable basis for estimating the impact of this problem over a longer period of time.

#### 1540

Table 1 in the material that we have circulated on this problem just summarizes from the Brown report the number of workers Commissioner Brown estimated were affected by this problem of outstanding wage or benefits claims as a result of an insolvency during that particular time period. You will see it was almost 41,000 workers.

In another analysis of those workers, what the report found, and I suppose it would be no great surprise, is that in large majority those workers are the employees of small employers; in fact, they are typically employed by companies that had fewer than 20 employees. They are also in large majority lower-income employees.

How serious is the problem likely to be as the economy, and in particular the goods-producing sector of the economy, moves into a cyclical downturn? You cannot really form any solid estimates, but I would draw your attention to the last table, table 4 in the material that we have

circulated, which is simply a data series on plant closures and permanent layoffs over the decade.

What you will see is that in the period April 1981-82 to 31 March 1983, when Donald Brown did his study for the government, during that period of time there were somewhere around 60 to 70 complete plant closures. The relevance of the plant closure data series is that the government of Ontario receives regular monthly advice on plant closures that affect 50 or more employees. So one can look at that data series as sort of an approximate indicator telling you when the problem is likely to become significantly more serious.

What one finds is that in the course of this year there has been a sharp increase in the reported incidence of complete plant closures. One may, I think, reasonably presume from this that there is an equally sharp increase in the incidence of insolvency, in particular insolvency among the small-employer sector of the economy. Therefore, the number that were estimated in the period 1982-83 are probably significantly higher today than they were then.

Moving from the number of workers affected to the actual losses that are experienced by those workers, table 2 again draws its data from Commissioner Donald Brown's report. You will see there the average loss under the different categories of statutory entitlement, wages, vacation pay, termination pay or severance pay, that were experienced by the affected workers. From the point of view of an individually affected worker the sums are quite substantial. The typical worker who is losing wages would also be losing vacation pay, termination pay and severance pay. These could in fact be cumulative in many cases.

The Brown commission also estimated the total loss of all workers affected by this problem over a period of eight or nine years. What is significant from those estimates is that while the individual losses experienced by the affected workers are very substantial, the total loss spread over the labour force as a whole is not an enormous sum. In other words, this is clearly a problem which public policy could come to grips with. There are a number of solutions that have been proposed to this problem, and let me just outline them to you.

The first proposal that has been suggested is that workers' outstanding wage or statutory benefits claims be given some precedence over the assets of a business that is insolvent. There are a couple of difficulties with that approach. The first is simply its efficiency in solving the

problem. By the time many businesses become insolvent they in fact have no assets which it is worth having a precedential claim on. Everything has been pledged and spent, and the reason the business is going under is precisely because it has no liquid assets. So simply from the point of view of its efficiency, that solution is certainly flawed, although it would undoubtedly be helpful.

Second, it might complicate the process of lending to businesses. If, after all, there is a class of creditor which has a precedential claim on assets, then that would clearly affect the risk rating that a bank in particular would assign to a small business. Consequently, the interest rates that would be charged to that sector would rise because the security of the loans would be impaired as a result of assigning precedence to another class of claimant.

The third complicating factor with that approach is that the Bankruptcy Act, which one would have to tinker with in order to deal with at least some of these problems, is a federal statute, not within the purview of the provincial Legislature, although, as the Brown commission had indicated, formal bankruptcies are in fact only about 10 to 15 per cent of the total of this problem.

Another approach that has been suggested, and does seem to us to be probably the most efficient and effective way to deal with the problem, is that of an insurance fund. This would simply be an insurance fund that is financed out of a payroll tax, with which the province of Ontario now has some increased experience.

The payroll tax insurance fund approach is the one that has now been adopted by the European Community and is part of the harmonization of policies. As they move into 1992, all the member states of the European Community will be establishing payroll-tax-financed insurance funds in order to deal with this problem.

In terms of the amount of the payroll tax that one would be talking about, if that were the approach adopted, using the data from the Brown commission it would be roughly one tenth or one twentieth of a percentage point of total payrolls. So we are talking about very modest sums of money when spread out over the broader payroll base in the economy.

The third approach, which was suggested by Commissioner Don Brown, was that the costs simply be assumed by the consolidated revenue of the province of Ontario, that the province, up to certain limits, meet the cost of outstanding obligations, pay for that out of consolidated

revenue. Commissioner Brown suggested a couple of tax sources specifically related to the business sector which might be relied upon to produce the requisite sum of money.

A variant on that approach, and one that I think is very seriously worthy of consideration, is the suggestion that a worker who is affected by an outstanding claim under an insolvency, up to certain limits presumably, would be allowed to claim a credit on the provincial income tax that would offset, on a dollar-for-dollar basis, the losses that the individual worker experienced.

What we want to stress is that there are a number of different solutions to this problem. Certainly all of them make a significant contribution, from the point of view of the affected workers, in addressing the problem. The insurance fund paying it out of consolidated revenue and the tax credit are probably among the most efficient of the solutions that are suggested.

The problem itself is quite considerable. It is certainly likely to increase in its incidence as the economy moves into recession. In a real sense, if the benefits that were promised to workers, in particular by the 1987 amendments to the Employment Standards Act dealing with termination and severance, are to be substantive, especially for the lower-paid workers in the small employer sector, then some further measures have to be taken, because it is quite clear that for a large number of workers, the benefits that are promised to them by the Employment Standards Act are simply not there in conditions of insolvency and clearly some action has to be taken.

**1550**

**Ms Sceviour:** The other issue we are talking about here today is the pay equity fund. Many of you may in fact have been lobbied in early November, when the Ontario Federation of Labour, along with pay equity activists from across the province, came in and discussed this fund.

It is a two-pronged problem. One is for the women now in the public sector—and that is what we are talking about, a fund for public sector workers—who are covered and are getting quite substantial payouts in some cases. Where does the money come from to pay for those pay equity adjustments if there is not extra money allotted to do that? One of the things that the Ontario Federation of Labour has been arguing since the act was first introduced is that a special fund had to be set aside to allow that to happen, for those wage adjustments to happen.

The other aspect is for those women who are covered by the act but will get no benefits from the act because there is no male comparator in the workplace. The easiest way for me to give an example of that would be a child care worker. In a child care centre, and a lot of them in fact receive funding from the provincial government, where do the extra moneys come about for pay equity adjustments if those are allowed? It cannot come out of parents' pockets.

The Ontario government has promised that it will introduce amendments to the act to include those women, and we are hoping that it would in fact follow some of its own Pay Equity Commission's recommendations on that issue. As well, the commission recommended that again a fund had to be established in order to make those wage adjustments.

We are heading into a downturn—that is our view of the situation—and we cannot have the government acknowledging on one hand that women are not going to receive the equity and wages unless there is direct intervention. There is a system to acknowledge where that gap is. We have to have a method to remedy the gap, so we ask you to give consideration to that fund and in fact strongly recommend that special moneys be set aside.

**Mr McCague:** I presume that table 4 is not included in table 1.

**Mr O'Grady:** No.

**Mr McCague:** Have you any idea of the numbers of people we are talking about in table 4?

**Mr O'Grady:** I can certainly give you a guess for 1989; it is around 12,000 to 15,000. These are permanent layoffs where there is a plant closure involved and 50 or more employees.

**Mr Allen:** I guess in a sense my question follows from that. It also links up to the earlier comment that Mr O'Grady made with respect to the inability to really access the real numbers by virtue of the reporting requirements that leave all official tabulations in this area completely ignorant with respect to what happens in the under-50 slot, the small displacements, the small downsizings, the smaller but significant plant closures.

**Mr Wilson:** Or the less-than-50 groupings.

**Mr Allen:** Exactly. The numbers could be quite substantially in excess of the numbers you just gave us, in point of fact, and it has an impact as well on a number of other critical questions; for example, the ability of the federal government, or indeed the provincial government, to



bring adjustment programs into play. Again, one does not know; one does not have any record of the plant closures or the downside things that are on the smaller scale. So there are other elements of workers' problems that are impacted by exactly the same triggering mechanism you are talking about.

I know you have seen it in the past. What kinds of explanations do you get from the government with respect to why it is unwilling to devise a smaller reporting figure, a smaller figuring figure? It need not necessarily be tied to severance considerations—it could be and I think should be—but as long as there was a reporting figure, (a) one would have statistics and (b) one could get some other benefits in a systematic way or go after them in a knowledgeable and systematic way.

**Mr Wilson:** Let me respond in this way, if I can. You do not get a precise answer when you ask that question, obviously, when you are dealing with a government, but I can give you my most honest opinion.

I think there is no response because there is considerable pressure from sectors within our economy telling this government that it has to be positioned to be competitive within the free trade agreement. That fight, that philosophy, that view has spilled out into other areas of government policy.

We are engaged, as everyone knows—I do not want to bring it into this hearing—in a battle on health and safety in this province. What is happening is the clear realization on the one hand that there are going to be a number of people who will be extremely vulnerable and are vulnerable now as the economy continues to dive. What we do not know is where the bottom is and how long it will last.

There is an immense restructuring process taking place in North America with industry. We are very vulnerable because we are, in great measure in this province—probably more so than any other jurisdiction in this country—vulnerable to the branch-plant restructuring that is taking place, which I alluded to in my opening remarks.

It seems the government today is positioning itself so that it does not want to take those steps that would be required to intervene in the authority currently vested within the corporate structure to upset that decision-making process that is currently in play and replace it with a protection that extends itself to these people in that sense.

**Mr Allen:** In the absence of such reporting mechanisms, there would be very little hope, I

expect, of having such an insurance plan extended to the unknown part of the problem. Or would there be?

**Mr Wilson:** I guess maybe it is a little simplistic.

**Mr Allen:** Does the insurance proposal respond to both what we know and what we are not likely to know?

**Mr Wilson:** We do know some dimensions of the problem. The legislation compels advice on plant closures that affect 50 or more employees. For those affecting fewer, it would simply be a change in legislation to try to address that. If that fails, surely it is just a matter of intellect to get us to a position where we can grapple with the problem in a constructive way.

Let me tell you just as an aside that about a year ago I was involved at the behest of the union—the International Ladies' Garment Workers' Union—in attempting to collect funds, wages, severance pay that was outstanding to garment workers who, as we all know, are not very highly paid—certainly not in any garment sector in this province, in this city—and we were caught in a catch-22.

As Mr O'Grady explained earlier, we went as far as to meet with the bank on two occasions, and it quite frankly said to us, "We'd really like to do that, but if we did that, as a matter of conscience, what we're doing then is taking on the established norm with regard to our creditors and we can't do that." What happens is that the ball is bounced back and forth between the provincial jurisdiction and the federal jurisdiction.

Everyone knows how difficult it is to move the current federal government, as it was previous federal governments, with regard to the Bankruptcy Act. It is over 40 years old now. The easiest solution, the one at hand, which can be implemented very quickly by this provincial government, is to move to adjust the legislation to allow those people, as I said earlier, who are most vulnerable in an economic downturn to have some measure of protection.

We are not talking about people who are making a considerable amount of income on a yearly basis. We are talking about workers whose incomes range anywhere from \$10,000 to \$15,000 a year.

**1600**

**Mr Allen:** I have just one other question that, quite clearly and obviously, everybody here will recognize. As far as the issue around pay equity is concerned, we are with you all the way, but I

have a question around the reference of the issue to the courts.

In Northumberland, I believe, there was an interesting case recently, where there was a pay equity issue referred to the courts and a decision made, which the government then refused to honour, to respect. It had some impact, I believe, as well on adult protective service workers in the Oshawa and Durham area, who then went into considerable difficulty and may now not exist as a formally funded government and public agency.

Do you have a comment on that kind of scenario that you would care to make in this forum?

**Ms Sceviour:** To be frank with you, there are employers out there who have made it quite clear that they are going to fight decisions all the way.

**Mr Allen:** But you said this was a public sector employer, obviously the government.

**Ms Sceviour:** There is money involved and they are trying to have the act interpreted to its very narrowest point, in order to have the least amount of payouts to the least amount of women. Quite frankly, I think the government needs to have a look at its policy as an employer.

**Mr Allen:** In the options that the government has provided, or at least that are in its thinking at this point in time—I think there are three of them—do you have a specific reference in terms of instructing the comparator groups for women in all-female employment sectors?

**Ms Sceviour:** To be quite frank, it is not a simple solution; there is not one solution to the problem. We go through, in fact, talking about proportional comparisons. Basically, if you look at a male job class being worth 100 points and a female job class being worth 80 points, but the women only earn 50 per cent of the male job class, then that proportion of wage should be brought up to 80 per cent. That is sheer logic to most people.

The other thing is to have a look at proxy comparisons, an example of which could be child care workers. Who do you compare child care workers to? One of the scenarios that sort of goes down into folklore is comparing child care workers with zookeepers, which would be a substantial increase in wages for many of those women.

We have talked about other solutions as well. The direct impact that merely raising the minimum wage would have on women is just phenomenal, which is a whole other area the government needs to look at. So there is not just one solution; there is a series of them.

**Mr Reycraft:** Mr O'Grady indicated that most of the over 40,000 workers that were identified in the Brown report were with businesses that had under 20 workers, small businesses. Given that, I am surprised at the numbers for termination pay and severance pay that are listed as averages on table 2. Those would appear to be higher than statutory requirements, but perhaps that is not the case.

**Mr O'Grady:** I can offer a partial explanation only. First of all, with respect to the small employer community, there is no exemption under the termination pay. The amount of termination notice that is required is a function of the service that an employee has had up to a maximum. So whether you have 10 employees or 100 employees, the notice that is required is the same.

There is a regulation to the Employment Standards Act that moves you from a service-determined formula on notice to what is called the mass layoff procedure. In that situation, if more than 50 people are laid off at any one time, a different formula applies, which is not service-related but which is governed by the number of people who are laid off. It is a more generous termination notice formula. If General Motors lays off 10 people, then the notice is the same notice as if a very small employer lays off a couple of people; if General Motors lays off 800 people, then it falls under the mass layoff requirement, regulation 287.

At the time that this survey was done, 1982-83, there was no distinction in severance pay obligation by payroll size. The 1987 amendments to the Employment Standards Act provided for a loosening of the severance pay requirements—let's say requirements for entitlement—for employers with a payroll in excess of \$2.5 million. But at the time that the survey was done there was no difference between General Motors and a hardware store in terms of the requirements that workers would have to go through in order to obtain severance pay.

One of those requirements was that more than 50 employees at any one time be laid off. If you take that number and go back to table 1, it would suggest to you that the average employer here was probably 12 or 13 employees, roughly 41,000 affected workers and 3,700 employers. All of the severance pay obligations would be accounted for by a very small fraction of those employers.

**Mr Reycraft:** My other question related to the payroll tax insurance fund that you suggested as one solution to the problem. I have had the

experience of trying to help constituents who are caught up in an insurance fund, I guess, that protected them against losses in agriculture. I am trying to remember the name, the financial protection program I believe it is called.

There have been problems with that program related to alleged abuse of it by individuals. It would seem to me that an insurance fund such as you have suggested would also be vulnerable to abuse by employers who might work in concert with employees to sort of close down in the middle of the night and then lead to a liability being created against the insurance fund.

Can you give me any indication of what kind of steps they have taken in Europe to curb the abuse?

**Mr O'Grady:** The mechanisms that are used in European directive to limit that liability are twofold. First of all, there is an absolute limitation on the amount of benefit that someone can receive. Since most of these benefits are expressed in terms of weeks of benefit, wages, severance, service entitlement, there is usually simply a limitation set on the number of weeks of benefit that, in aggregate, anyone would be entitled to.

The purpose of that is to prevent an employer from conspiring with its employees to work for another eight or 10 weeks without pay in the hope that perhaps an account receivable will come through and they will be able to carry on, and if they do not, then the liability would fall to the fund. So an absolute limitation is usually common in that statutory framework.

The second is that the insurance fund pays 90 per cent of the rate of pay and the purpose of that is to ensure that there is a disincentive to the employees to let an untenable situation go on at an unreasonable length.

**The Chair:** That pretty well puts us at 30 minutes and allows you to catch your plane. We want to thank all three of you very much for taking the time to come in today. We appreciate your brief and we will certainly take your comments into account when we write our report.

Our final presenter today is a group that we invited to come, the WEFA group represented by Ernie Stokes, director of Canadian services. I would like to welcome you this afternoon and appreciate your taking the time to come in. Perhaps you could tell me—I know the EF is economic forecasting—but what are the W and the A?

**Mr Stokes:** The name of the game is Wharton Econometric Forecasting Association.

**The Chair:** You see, I was wrong.  
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#### WHARTON ECONOMETRIC FORECASTING ASSOCIATES

**Mr Stokes:** We are an international organization. We have offices all around the world. We do consulting in economic forecasting, advising governments and so forth. Thank you for very much for inviting WEFA to come today and express our views on the economy and possibly to give you some ideas what sort of policies you should set in the 1990s.

My discussion today will be concerned with the macroeconomic environment. I will not talk about tax reform or any sort of structural policies. I am sure you have been going for a long time and want to keep it a little bit light and short so I will try to do that.

I will consider three things: the macroeconomic outlook for the next couple of years, sort of the environment within which you are going to be coming up with a budget; the main factors behind this outlook, why is it occurring, and third, the origins of this situation, why are we in what we are in now and what can we do about it so that it does not happen again. Feel free to interrupt me if you want me to clarify anything.

The economic outlook: I will mix Canada and Ontario here. I will try to stick to Ontario. What is the outlook for economic growth, inflation, unemployment, interest rates, the exchange rate and so forth over the next couple of years?

First of all economic growth: Ontario has done really well in the past few years, growing in excess of five per cent. That is over, at least for the next couple of years. What we see this year is growth near zero, and we could face a recession. Next year, however, the economy will recover. It will not grow near zero; it will grow much closer to what it could grow. But you will not see growth rates of five per cent for a while. Those are very strong growth rates.

If we are going to see slower growth, what does that mean for unemployment? You are going to see unemployment rise. Unemployment fell below five per cent in Ontario. In fact, the unemployment rate in Ontario last year was the lowest it has been since the 1960s. That is not sustainable, not in this current environment. We will see unemployment rates rising in Ontario this year and remaining high next year.

What about inflation? One thing about slower growth and higher unemployment, it achieves the goals of the Bank of Canada and that is to get lower inflation. So we are going to see lower



inflation this year. What happens next year? We have a goods and services tax coming in, so inflation will accelerate a little bit next year, but we still should see inflation near or below six per cent in Ontario. We are not getting out of control; we are slowing down.

What about interest rates and the Canadian dollar? When you have slow growth, falling inflation and a rising unemployment rate, you are going to have interest rates coming down. We will see the prime rate for example, which everybody talks about, coming down towards 12 per cent this year and hopefully towards 11 per cent next year. But it will be slow.

With interest rates coming down, we should see the Canadian dollar coming down as well, which will be good for Ontario's manufacturing sector. We think the dollar will come down to around 84 cents US by the end of the year.

What are the main factors behind this? There are three of them. The first has to do with the US economy and the rest of the world, the second has to do with monetary policy and the third important factor is fiscal policy, in which the Ontario government plays a role.

First of all, the US economy is very important to Canada and Ontario. We are a small economy and we rely heavily on trade. That is the main source of growth. What happens in the rest of the world has a very important impact on us. So if economic growth slows in the United States or the rest of the world, growth slows in Ontario. Why? Because we sell a lot of goods to the United States. If they are not growing, our exports are not growing and we are not growing.

Inflation is also substantially influenced by inflation in the rest of the world. That is quite simply because we buy a lot of our goods and services from the rest of the world, and particularly the United States. If inflation is slowing in the United States, that means the prices of the goods we import into Canada will also be coming down. So inflation would be slowing.

Finally, interest rates: What is happening in the rest of the world, and again in particular in the United States, determines what is going to happen here to a large extent. If our interest rates get too low relative to the United States, people with money will say, "Look, we can make more interest if we go to the United States." If our interest rates get out of line with the US, money flows from Canada to the US or vice versa.

An example this year is that our interest rates have gone up relative to the United States so all sorts of money has come into Canada. If interest

rates do not adjust, the factor that does adjust is the Canadian dollar, because if money flows into Canada that means foreigners are demanding more of our dollars and it drives the value of the dollar up. So the US and the rest of the world have an extremely important impact on the Ontario economy.

What is the outlook for the US economy? What do we see this year and next year? We see slow growth in the US this year but picking up next year. We see inflation remaining low in the US and easing down. Interest rates will come down but only slowly, and they will still remain high relative to what they were in the 1960s or early 1970s. What does that mean for us? It means that there are going to be forces operating that will keep growth slow in Canada, because if growth is slow in the US, our exports are not going to grow fast.

When inflation remains low in the US, it means our import prices are not going to grow very quickly, so there are forces to keep our inflation down here. If interest rates are remaining high but coming down in the US, that means that we can have our interest rates coming down but we cannot have them really low because they will cause capital to run out of Canada and that will affect our exchange rate. Because of the Bank of Canada's policies, this is not likely going to be happening.

The second factor is monetary policy. I am sure everybody is aware of what the Bank of Canada has been doing. Since 1988 the Bank of Canada has increased interest rates in an effort to reduce inflationary pressures. If you are from outside Ontario, it is Ontario's fault. There has been extremely strong growth, but not only in Ontario. Alberta has been growing very rapidly, and so has British Columbia, so it is not just Ontario.

Anyway, inflationary pressures started in 1988 and peaked in 1989. The Bank of Canada has been raising interest rates. It raised them right until last March, and they have stayed flat since then. This is despite large decreases in US interest rates, so our interest rates have remained high while US interest rates have come down. That means that our dollar goes up because people will bring money into Canada to invest, so the demand for our dollar rises and the value of it goes up. That is why our dollar has appreciated.

Why is the Bank of Canada doing this? Because it does not want inflation, quite simply. So what is going to happen this year is that interest rates are going to remain high. They will come down, but the bank is still worried about

inflation, so it is not going to lower interest rates until it is sure that inflation is out of the system or low enough. Next year we will see interest rates come down a little bit because we are seeing lower inflation. So what is driving the economy a lot now is monetary policy.

The final factor behind the forecast is fiscal policy. By that I mean government spending, taxes and so forth. We have had very high government deficits in this country over the last few years, and this has caused governments to raise taxes or reduce expenditures. Last year the Ontario government raised taxes, the federal government raised taxes, everybody raised taxes to reduce their deficits. They also brought down expenditures. What happens, of course, if you raise taxes is you take money out of people's pockets and they cannot spend it. So you are going to reduce consumer spending. Also, if you raise the cost of capital to corporations, if you raise their taxes, you are going to make them spend less money as well.

This year and next year you are going to see the effect of these tighter fiscal policies on the economy. In the long run, it is good for the economy because you are going to have interest rates coming down when you get deficits coming down. But there is a cost to short-run deficit reduction—we have to pay for that—and that is slower growth.

Those are the three main factors behind the outlook. How did we get in this situation and how can we get out, or how can we prevent it from happening again? The main problem facing the economy for decades, for ever, has been the problem of inflation. We are always trying to reduce inflation by raising unemployment, and there is a continual battle. When unemployment comes down, inflation goes up, so we have to increase unemployment to reduce inflation. This has happened for ever.

When we were going into the 1980s, the federal government and the Bank of Canada, as well as similar institutions around the world, were telling us that, "We're going to have to make a sacrifice; we're going to have to get inflation down before we can enjoy strong growth," the strong growth we did enjoy in the 1980s. So what did we do to get inflation down? We created a huge recession. We drove unemployment rates up to 13 per cent and the economy collapsed in 1981-82. What we were in a sense saying then was that it was worth this sacrifice to get inflation down so that we could have five per cent growth throughout the latter part of the 1980s. It seems like we did get a lot of growth,

because we got unemployment down and people got jobs.

**1620**

What are we doing going into the 1990s? We are doing the same thing we did going into the 1980s—we are creating a recession, we are trying to slow the economy down so that we can enjoy sustained economic growth. We have to get inflation down. In fact, if you look back, we were doing the same thing going into the 1970s as we were going into the 1980s and into the 1990s. What is to say if we get inflation down now that we will not be going through the same thing again going into the next century? How can we stop this cycle? I think we can stop this cycle, and the main reason for it is the reason for the acceleration of inflation, and that is that in the world, and particularly in North America, we have had competition between the government sector and the private sector for goods and services and capital. Government deficits rose rapidly during the 1980s, particularly the early 1980s because of the recession, and they remained high. They came down but they remained high.

If you look in the latest Ontario fiscal report you will notice that government deficits came down in 1984 and then they remained flat for four or five years. The economy was growing by five per cent a year and the deficit did not change. In fact, the government admits that it had the highest per capita expenditure growth in the country. We are spending like crazy. The Ontario government is not the only government that did that; governments all over the world that did that. Ontario is not unique in that situation. The failure of governments to reduce their demands on the economy took place during a period of resurgence in the private sector. Interest rates came down after the last recession, oil prices came down in the mid-1980s and there were changes in some types of policies; there was tax reform and so forth.

This led to a very positive business environment and you saw throughout the world, and in Canada as well, very strong private sector growth. Investment was strong, consumer spending was strong, everything was doing well. World trade was doing very well. You had a strong private sector and at the same time you had governments going out and trying to spend all sorts of money. Well, there is only one result when you have the private sector and the public sector competing for money: inflation. That is what it is. You have fixed economic resources: You only have so much labour, you only have so



much capital, you only have so much oil, etc. Everybody cannot have it. You cannot have the government and the private sector trying to get it at the same time. Policymakers have to make a decision as to who gets that.

If we were willing to accept inflation, it would be no problem, but after sacrificing 13 per cent unemployment in the early 1980s, I do not think the Bank of Canada or the Federal Reserve System in the United States was willing to allow inflation to accelerate again. This high private and public sector demand clashed with monetary policy. It said, "Sorry, you can't have high inflation," so the demand was just too strong.

What this represents is a lack of the co-ordination between monetary and fiscal policy. You have monetary policy saying, "I want lower inflation," and you have fiscal policy saying, "Look, we want to increase spending," "We want to give people more," etc. These two things cannot always happen at the same time. They cannot happen at the same time unless we are really in trouble. What we have to watch is to make sure that if the Bank of Canada is trying to keep the inflation rate under control, the government sector is not aggravating the situation. If the private sector is operating near its potential, sort of as fast as it can grow, the government should not be out spending more money. In fact, it should be trying to collect money to offset its deficits. So in periods of rapid growth, the government should not be trying to accelerate the economy.

One other problem that caused problems last year that was not only how much money you spend or do not spend was the type of policies you use to reduce the deficit. You can increase personal taxes, you can reduce expenditures, you can raise sales taxes. Last year the Bank of Canada was trying to reduce inflation. At the same time, the federal government and the provincial governments went out and raised sales taxes. At a period of time when you are trying to reduce inflation, that is the worst thing you can do, because that raises prices. It does not raise the inflation rate for ever, but at the time, it does.

So the inflation rate rose dramatically in the second quarter of last year and that was one reason that interest rates did not come down in Canada, because of all the indirect tax increases, the sales increases. Not only Ontario, but everybody did it. That drove up the inflation rate and the Bank of Canada said, "Sorry, we can't allow that," and interest rates stayed up.

What governments should be aware of is the type of policies they use as well. It may have

been better to reduce expenditures. That is not inflationary.

During the 1990s, I would recommend that the Ontario government continue efforts to reduce its deficit. The deficit has come down, and that is good. I think that is a good thing. But I think also it should consider very carefully its policies in terms of their impact on the economy. Are these policies consistent with those of the Bank of Canada? Are they consistent with the federal government? What happens if they are not?

One of the achievements in the world economy in the 1980s was the international co-ordination of policy to try to improve the world economy. That seemed to work pretty well. We do not seem to have a lot of that with the provincial governments and the federal government or with the federal government and the Bank of Canada. We need more of that.

Finally, if the Ontario government, or you could label any government this way, is going to engage in policies of increasing spending or decreasing spending, it should not do it in a procyclical fashion. By that I mean if the private sector is growing, do not try to increase government spending and vice versa. In other words, we are going into a recession now, or very slow growth. It is not a good time to really put on the brakes in the economy. If you are going to reduce your deficit a little bit, that is fine, but do not go all out when the economy is going down, and do not go all out when the economy is going up in the other direction.

If the private sector and the public sector can get together on this, I do not think we will see the situation of rising inflation again going into the year 2000.

**Mr McLean:** Excellent presentation. I have a problem. In 1981 you could buy a condominium in Toronto for \$50,000. The same year, you could buy one in Florida for \$90,000. Today a condominium in Toronto is \$150,000 and the one in Florida is \$70,000. What happened?

**Mr Stokes:** Why the price went down in Florida? It went up in Florida as well?

**Mr McLean:** No.

**Mr Stokes:** It went down in Florida, okay. It is quite easy to explain why the price went up in Toronto or Ontario. When you have five or six per cent growth a year and you have all sorts of people moving into your province, your demand is huge. The demands on the economy are too much. The response of the housing sector to demand is slow. You cannot build all the houses at once. It takes time to build houses. I mean,



there is legislation, there are regulations around building houses, etc.

The problem in the housing market is that if you could build houses immediately, there would be no problem. It is just that it takes time to increase the housing stock. We get all these people moving to the province. Where are they going to live? They drive up the price of the house; that is all that can happen.

I am not sure of the Florida housing market. Its economy may have been in tougher shape than Ontario's. Ontario has been one of the stellar performers. It has done fantastically. Part of it, however, is due to expansionary fiscal policy.

**Mr McLean:** In your crystal ball, would you buy a home this year or next year?

**Mr Stokes:** In Florida or Ontario?

**The Chair:** The answer to that should be yes.

**Mr Stokes:** Actually, I am buying a house right now. I just moved to Toronto. Everybody says I am crazy, but here I am.

**Mr McLean:** I can buy a penthouse in Florida for \$68,000.

**Mr Stokes:** Anyway, the housing market in Ontario is not likely to be in good shape.

**Mr McLean:** Which economy would not likely be in good shape?

**Mr Stokes:** The housing market in Ontario is not going to expand very rapidly because you have driven the prices up so that hardly anybody can afford them any more.

**Mr Haggerty:** I do not know. I have heard this argument for 10 years from economists, and really it boils down to, when they want to slow the economy down, then they take it out on the back of the average citizen in Ontario. They say, "Here's your ticket." He is out of work for a period of six or seven months and then it takes him about a year and a half after that to get back in the workforce. You are talking about the government raising taxes and the shortfall that there might be out there, but Canadians are noted for their savings.

**Mr Stokes:** They had been. The savings rate is coming down.

1630

**Mr Haggerty:** I do not know. Nobody looks at this area. Everybody is fighting for the same capital, you might say. The government is fighting for it and so is the investment area. The high interest rates—the United States did not do that and it seems to be able to maintain its strong economy. Employment is up and interest rates are low. In your whole process here you have not

looked at—and someone made the comment some time today or yesterday that Bush was elected on the basis that he would not increase taxes.

**Mr McLean:** Good platform.

**Mr Haggerty:** Sure, but he must have had a pipeline in to see what was going to happen in Europe. The United States is going to have so much money in the next two years because of the reduction in armed forces and military buildup in Europe. It will have money now to put back into the infrastructure and get on building some of the cities that should have been rebuilt years ago. That is what they are looking forward to in the United States.

Sure, we have armed forces here. There should be some benefit to Canadians here too in the reduction of armed forces in Europe. We do not think of anybody coming back and saying, "Look, there is money here that could be going in here without raising taxes." You probably would not even have to raise the goods and services tax if you were using the same principle as in the United States.

Then the other thing is, when you look at the savings—

**The Chair:** The question is coming some time.

**Mr Haggerty:** Yes, the question is coming. If you take the taxes that are not being paid now through retirement savings plans, there is revenue there. I do not think anybody should be able to go this way and not pay his taxes. Sure, we get it later on, but now we have the problem that we could have been holding our economy at a more stable rate than we are today. Our interest rates could have been lower.

Again, you put the interest rates up. You put it on the backs of persons who have to meet the social needs in the home, buying a home, high interest rates, and you take it out on him. You just seem to take it out on the guy at the bottom of the totem pole instead of going to the guy who is up at the top, who has it.

**Mr Stokes:** What I am saying is, we would like to stop this. We do not want to have recessions generate—

**Mr Haggerty:** I hear this all the time. We would like to stop it, but that is—

**The Chair:** Mr Haggerty, let the gentleman respond. He is just giving us some opinions.

**Mr Haggerty:** I know that.

**The Chair:** He is not setting government policy.

**Mr Stokes:** I agree. I do not think it is a good idea that you create recession. Somebody has to

pay for it. There is one particular group that pays for cutting inflation and it is usually the same one every time. I am just saying, how do we stop this? This is crazy, because every 10 years we are generating another recession to bring inflation down.

**Mr Haggerty:** Get rid of inflation.

**Mr Stokes:** One thing is to accept higher inflation. If we are willing to have more inflation, we will be all right.

But groups like the Bank of Canada say we cannot have high inflation; we have to have low inflation, otherwise we will not be able to compete in the rest of the world and our economy will not remain strong. This is a view some people have. You have a tradeoff between how much inflation you want and how much unemployment you want. You can argue in the short run that matters, but the Bank of Canada will say that ultimately you have to get rid of inflation or you are not going to have a good economy.

The one way to stop that is to stop inflation. How do you stop inflation? Do not run government policies strongly at the same time as the private sector. For example, the Ontario government did it and the federal government did it. Tax reform was supposed to be fiscally neutral. It was, on a long-term basis, but you got all sorts of tax returns coming in 1988, when the economy was booming. You did not need that. Maybe that was something to do with the election, I do not know. The point is, that induced excess demand. People had a lot more money when they did not really need it.

The plan was, "We'll give them a little money in 1988 and then a couple of years down the road, we'll get it back." We are starting to take it back now when the economy is going down, which is actually causing the recession or the downturn to be worse. If you would not get so much when the economy is going up, you would not have to take away so much. In other words, do not operate so that during booms you are increasing government spending or reducing taxes and vice versa. That just amplifies the situation. It makes it even worse. That is one way to minimize the problems.

**Mr Allen:** What is the inflation rate in Sweden, Germany and Austria?

**Mr Stokes:** I do not think Germany has inflation, does it? Germany has very little inflation. It is around two per cent. I do not remember what the other countries have, but Germany has always been one of the lowest inflation countries because it has a very strict monetary policy. It always has.

**Mr Allen:** My impression is that the inflation level in the other two countries is not excessive.

**Mr Stokes:** No, I do not think a lot of those countries over there have an inflation problem.

**Mr Haggerty:** I think Italy is the highest.

**Mr Allen:** How then does your theory fit those circumstances where you have countries like those which have been considerably prosperous, have had high levels of government activity and also reasonably high levels of private sector activity as well, and at the same time unemployment rates that are significantly lower than ours and not high inflation? What are the factors that produce that situation, because that seems to be a different model than the one that you are putting forward?

**Mr Stokes:** One thing that is important in these countries is that they know the Bundesbank is not going to allow inflation to get up. So one of the things that determines the inflation rate is what people think it is going to be. If everybody thinks that inflation next year is going to be seven per cent, they will operate like it is going to be seven per cent. They will give wage increases of seven per cent; they will raise their prices by seven per cent. This is what the Bank of Canada is trying to do, to convince everybody that the inflation rate should be zero.

So, first of all, you have to convince people that the inflation rate is not going to be high. In Germany everybody knows that if the inflation rate goes up, the Bundesbank will cause a recession to get rid of it, so people do not do that. You get wage pressures and so on building up there, but there is an environment or mentality in those countries that inflation is not acceptable.

**Mr Allen:** Which then allows them a more vigorous public sector than otherwise would be the case.

**Mr Stokes:** I think they are fairly fiscally conservative in Germany. I do not think they run big government deficits there.

**Mr Allen:** No, but you were talking about government spending and there is substantial government spending, particularly in Sweden, for example, and certainly in Austria.

**Mr Stokes:** I think Sweden and those countries run higher inflation rates than Germany does.

**Mr Allen:** But not higher than ours. The other question would be, surely you have to distinguish between some kinds of government spending and other kinds of government spending in what you are telling us? You have lumped everything together as though there should not be active

government programming or an increase in government programming at a time when the private sector is also active.

Are not programs that might be introduced and that are essentially redistributive in nature essentially inflation neutral as long as you recover from one portion of your tax source what you spend in another in order to alter the spending pattern and the pace at which it is spent? In other words, unemployment insurance, increasing seniors' pensions and so on are essentially noninflationary as long as you get it back out of the economy at the same time.

**Mr Stokes:** On the first part of your question, government spending is not government spending. If you need to build roads and highways, you need to build roads and highways.

**Mr Allen:** That is capital.

**Mr Stokes:** Yes. You cannot have the private sector operating without them. So that goes hand in hand. The question is when you decide to build them. If you can postpone the building a year, if you see the inflation rate going up seven or eight per cent, it is not a good time to go out and build a road unless it is absolutely necessary. You could postpone that. If the unemployment rate is four per cent, if you go out and spend a lot of money, maybe you should wait until the economy slows down a bit. It is more a matter of timing. It is not that you should not spend it, but do not aggravate a bad situation.

You can recover some things with taxes but there is a difference in taxation and spending. For example, when you increase people's taxes they do not spend everything, they save part of what they earn anyway. So the impact on the economy is less than if you spend money buying goods and services, because it is fully spent. In other words, if you give the consumers \$1 they may save 10 cents and spend the rest. So the full impact does not go through, whereas with expenditures everything is spent at once. So there is not quite a balance there. You actually have to increase taxes a bit more than you reduce spending and so forth. It is a fine line.

**Mr Allen:** How do you cope in your model with the problem of the fact that during the recessionary period you obviously find governments very reluctant to spend on precisely those capital projects? At least in the last recession there was a lot of weakening of Keynesian contracyclical and public works kind of thinking and governments simply put off a lot of projects that might otherwise or might at another time have been adopted in a contracyclical argument. Then you have, of course, those very same

projects that are crying out doubly when you hit your more inflationary business active time.

**1640**

**Mr Stokes:** What I am saying here is that for sure you should not be procyclical; that is, do not spend when everybody else is, or vice versa. Some people would say—and there is more consensus now—you should not use tax and expenditure policies to affect the economy because it does not work anyway, in which case try to keep your growth steady, your expenditures sort of smooth and do not go like this.

A few studies that have been done on provincial government spending show that most governments are procyclical. You spend when times are good, so you spend when you have the money, not when you do not have it. The reason why you do not spend when you go into a recession is because you run out of money. If you had tried to reduce your deficit in good times, then in bad times you could have spent the money. In other words, if you are going to have your economy growing three per cent and you want your spending to keep up with it, that is fine; just go three per cent a year.

I know it is not that easy to do, because you have population changes and so forth, but the point is, do not aggravate a bad situation or a good one. That is all I am saying. If, all of a sudden, you want to take \$3 billion out of the economy now, this is not a good time to do it. You should do that when the Ontario economy is growing at seven per cent. Take \$3 billion out; then it will grow only five.

**Mr Reycraft:** You indicated one of the reasons for keeping interest rates high was to prevent investment in Canada from going down; our rate had to be higher than the American rate or investment would flow from Canada to the US. Do you have an opinion on what the minimum gap has to be to ensure that?

**Mr Stokes:** To keep the dollar constant, for example?

**Mr Reycraft:** Right.

**Mr Stokes:** It depends on which interest rates you look at, but historically the difference between Canadian and US interest rates, like very short-term interest rates, 90-day Treasury bills or something like that, is about two percentage points, around there. Right now it is 4.5 percentage points or something like that. That means you can make a really good deal by investing in Canada, so lots of money comes in. That is one of the reasons why the dollar has appreciated.



There is no sort of magic number at which it does it. If it is perceived to be more profitable to invest here, you do. That also has something to do with the political environment and everything else, so that can change. The risk premium depends on who is in power. If you are a less-developed country or you are Canada, the risk premium differs. But in Canada historically it has been about two percentage points.

**Ms Hošek:** My question is less a monetary or fiscal policy question; it is somewhat a fiscal policy question. You may not have a view on this, but I would be interested if you do.

What is your view on government direct grants to business? We have heard from some business sectors saying "Cut spending," which is their usual message, no matter what the time of the cycle is, and some of them have even been so bold as to say, "Cut spending by getting rid of direct grants and subsidies to business." Do you have any views on that?

**Mr Stokes:** Obviously that is very political.

**Ms Hošek:** But it is the economic view that I would be interested in.

**Mr Stokes:** The economic impact is that if you are giving money to businesses, you are subsidizing them in some way. I guess to the true economist, what we care about is efficiency in economics and efficiency means minimizing waste. You should do things the most efficient way; do not waste any resources. Therefore, we would argue—which is not always correct—that if the private sector cannot do it on its own, it is not the most efficient way to do it.

In other words, one thing that all this stuff in tax reform has been about is that governments got in there, gave grants or subsidies to businesses and distorted their allocation resources such that companies that were not profitable on an economic basis are profitable after the subsidies. That would say that resources, labour and capital, are not being allocated to those companies based on economics, they are being allocated on the basis of government decisions, so they are not efficient. That is the argument behind tax reform. If we eliminate that, everybody becomes more efficient and the economy is better off.

If the problem is one of access to capital, that is a different story. If it is an efficient company but the capital markets do not work right, if you cannot get a bank loan—it goes back the discussion about software companies a while ago. If there is a problem in capital markets, that is a different story. Places like Japan subsidize businesses, at least to get them going.

If that is the problem, if it is simply imperfection in capital markets, that is a different story than if you continually have to subsidize business. So it is not clear-cut. But the idea is that if the only reason they are there is because of a tariff or a continuing subsidy, that is a different story than if you just give them the one shot.

**Ms Hošek:** Most of our subsidies present themselves as regional subsidies or as subsidies having to do with some inefficiency in the market—that if only this money were available or a loan guarantee were available then this company would be able to do X, Y or Z. It is sometimes very difficult to make the analysis that would prove that. The conception is clear, but the execution may not be.

**Mr Stokes:** Yes. In the last company I worked for, the first thing we did when we were going to make an investment was find out if we could get a government grant. But we had to do that. We had to do that because everybody else was doing it and that could make a one or two per cent difference in the rate of return. So we are crazy not to go and look for what everybody else can get. That had nothing to do with whether the plant was efficient or not. We had made that decision already. We said: "This is a good deal economically. Now how can we increase our rate of return?" There we go; we are off to get some money.

**Ms Hošek:** That is what I wanted to hear; thank you.

**Mr Stokes:** That may not always be the case. I am sure that most businesses would not operate that way, but the money is available to them, it is just a competition thing, so you have to do that.

**The Chair:** The majority of the moneys available through this government, though, really are in the form of bank guarantees and there is some equity financing, that type of thing, as opposed to direct grants. There is a perception that there are direct grants and there is government money all over the place, but the reality is that it is not true.

**Mr Allen:** There was a very interesting study done at McMaster University that explored the effect of the removal of certain tax concessions on a fairly across-the-board basis to a certain range of industries and the channelling of an equivalent amount of money into increasing income at the low-income level. The result was that the increase in income from the low-income expenditure for the companies in question and for the economy ended up producing somewhat more new investment capital for the private

sector than it got out of the tax concessions in the first place.

**Mr Stokes:** Did they give to smaller companies rather than bigger companies?

**Mr Allen:** No; they cancelled the tax expenditure on the one end and channelled it into either a tax relief or an income supplement program for low-income people, and the equivalent amount in terms of expenditure in the economy had a healthier effect on—

**Mr Stokes:** I am not sure. I would have to see what they did.

**Mr Allen:** It is a rather interesting proposition.

**The Chair:** Mr Stokes, it has been very interesting. We have decided you would make a great professor because we understood everything you said. We do appreciate your responding to our invitation and taking the time out of your schedule to come and talk to us today. Thanks very much.

If there is no more business to come before the chair, this committee stands adjourned until two o'clock Monday.

The committee adjourned at 1650.

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**From the Co-operative Housing Association of Ontario:**

Clement, Tom, President

Reagan, Dale, Executive Director

**From the Municipal Electric Association:**

Anderson, Carl, Chairman

Jennings, I. H., Chief Executive Officer

**From the Hockey Development Centre for Ontario:**

Davis, Barrie, President, Ottawa District Minor Hockey Association

Gardner, John, President, Metropolitan Toronto Hockey League

**From the Toronto Home Builders' Association:**

Mullin, Chris, President

Keenan, David, First Vice-President; Manager, Land Development, Coscan Development



**From Blind Ontarians Organized with Self-Help Tactics:**

Schryer, Eric, Co-ordinator

Southern, John, Community Outreach Worker

**From the Ontario Real Estate Association:**

Schiedel, Moira, First Vice-President

Flood, Jim, Director, Government Relations

O'Connor, Kevan, Chairman, Political Affairs Committee

Bosley, Tom, Vice-President

**From the Ontario Federation of Labour:**

Wilson, Gordon F., President

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# Hansard

## Official Report of Debates

### Legislative Assembly of Ontario



**Standing Committee on Finance and Economic Affairs**  
Prebudget Consultation

**Second Session, 34th Parliament**  
Monday 22 January 1990

Speaker: Honourable Hugh A. Edighoffer  
Clerk of the House: Claude L. DesRosiers

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Contents of the proceedings reported in this issue of Hansard appears at the back, together with a list of the members of the committee and other members and witnesses taking part.

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

**Monday 22 January 1990**

The committee met at 1400 in room 228.

### PREBUDGET CONSULTATION (continued)

**The Chair:** For this afternoon, we have a number of presenters. There will be additional members joining us as the afternoon progresses, but I think we have agreement to start on time from all parties.

Our first presenter today is from the Ontario Chamber of Commerce. I have Don Eastman, chairman of the economic policy committee; Linda Matthews, president of the chamber; and Art Smithard, a member of that economic policy committee. There may be additional folks with you whom you could introduce. Welcome, and thanks for coming today.

### ONTARIO CHAMBER OF COMMERCE

**Mrs Matthews:** I know from your introduction that it probably is easy enough to figure out that I am the Linda Matthews.

**The Chair:** I particularly figured that out by myself, yes.

**Mrs Matthews:** But perhaps I could take the opportunity to introduce my colleagues. On my right is Don Eastman, who chairs our economic policy committee, and on my left is Art Smithard, who is a member of that committee.

We appreciate this opportunity to meet with you on behalf of the Ontario Chamber of Commerce, with our 165 member chambers and boards of trade and a combined membership of 65,000.

You have copies of our submission and we intend to just highlight particular areas of it this afternoon. Art Smithard will comment on our concerns relative to financial reporting. Don Eastman will focus on the Ontario government's contribution to the current economic slowdown, and I will come back and comment on two specific areas of concern, health care costs and the goods and services tax.

I would now like to hand the presentation over to Art Smithard.

**Mr Smithard:** Thank you. Good afternoon. We believe that the province's financial position should not only be understood by government financial managers but should also be readily

understandable by all elected representatives and by the citizens of Ontario. The process of managing the financial affairs of an enormous enterprise such as the province of Ontario is, at best, a formidable task. There are myriad technical problems inherent in financing and establishing accounting controls for a vast array of projects. Sound budget management and financial decision-making requires complete and accurate financial statements. In order to navigate from one point to another, you must first know where you are.

The province has made progress in improving its financial reporting, but more remains to be done if we are to truly have a clear set of books.

Government accounting and financial statements do present some formidable challenges. The Canadian Institute of Chartered Accountants has recognized these problems and formed the public sector accounting and auditing Committee to develop recommendations to help governments improve their financial reporting. Government is well represented on the committee. We endorse the recommendations that they have made to date and encourage the implementation of these changes in the province's financial statements.

We are concerned with the lack of published consolidated financial statements for the province of Ontario. Statements should include the financial status of the various government-owned boards, commissions and corporations on a consolidated basis to yield a full accounting of the government's operations. For example, the statement of financial position of the government does not recognize its equity holding in Ontario Hydro of \$5.6 billion. The province of Alberta currently publishes consolidated financial statements and these are far more informative than the incomplete statements published by Ontario.

Lack of consolidated financial statements also leads to confusion over how much we owe. The government's financial statements for the period ended 31 March 1989 established the accumulated debt as \$39 billion. However, this number does not include an unfunded workers' compensation fund liability of \$7.4 billion. It also excludes unfunded pension liabilities of \$5.7 billion. Recent articles in the financial press referred to an undisclosed liability with respect to

the teachers' retirement gratuity that may exceed \$1.5 billion. Provincial debt as reported appears to be understated by as much as \$14.6 billion, or 37 per cent.

The liability relating to the teachers' retirement gratuity is a useful example of how incomplete financial information can lead to inappropriate economic decisions. It is our understanding that this liability could amount to six months' pay for most of the province's teachers and that the payment is required at the time the teacher retires. These are significant amounts that need to be known and need to be taken into consideration at the time bargaining takes place. Responsible settlements require both parties to fully understand the financial commitments that are involved. The bill must ultimately be paid by the Ontario taxpayers. It would be helpful if the province would estimate this liability and include it in its financial statements.

Other than water treatment and waste control facilities, the province's financial statements do not give a clear picture of the major investments in infrastructure or how these have been managed during the year. The province has billions of dollars of assets in the form of buildings, roads, bridges and equipment. These assets are not reflected in books nor is there any provision for the depreciation expense that is associated with the natural ageing and obsolescence of these assets.

As a result, we do not know whether the government's capital spending programs are actually adding to our capital base. They may be simply keeping pace with depreciation or even falling short. When we consider depreciation, we feel that Ontario's investment in its economic infrastructure is getting short shrift and is falling short of what is required to sustain this province's economic vitality in the future.

During the past seven years, the economy of the province has experienced solid growth and prosperity. Despite these dramatic increases in revenue, the province's debt has continued to grow. Is it possible that a clearer understanding of our full debt position would have meant greater resistance to further deficits?

**The Chair:** I wonder if you could read those recommendations into the record. I notice you have them as you go through the report. For purposes of Hansard you might want them on the record.

**Mr Smithard:** Do you want them as we go then?

**The Chair:** I would recommend that.

**Mr Smithard:** The Ontario Chamber of Commerce strongly urges the Ontario government to issue better financial statements by implementing the recommendations of the public sector accounting and auditing committee of the Canadian Institute of Chartered Accountants.

**Mr Eastman:** Ontario's economy is, at this point in time, facing its largest challenge since 1982. We currently have an economic slowdown under way. It currently appears that this will be a relatively shallow slowdown, but we are seeing widening layoffs and increasing personal hardship, and there is some risk that conditions may become substantially more severe.

The tragedy of this slowdown will run far deeper than most of us will ever realize. We in this province still have a substantial number of people who, with imagination and effort, could be productively employed but are not. That means a poorer life for those who could be employed, a reduced capability to provide for those in need and an overall standard of living that consistently falls short of what it might be.

By some measures, Ontario has had a good economic performance since 1982, but it was not until 1989 that unemployment was reduced to the point that it provided the stimulus necessary to meaningfully tackle hard core unemployment and underemployment. We last saw these conditions in 1974, 15 years ago.

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The cause of this slowdown is tight monetary policy in response to a very legitimate and growing concern about inflation. Simply put, the Bank of Canada has been increasing interest rates and restricting the supply of money to the economy to reduce inflation.

The inflationary pressures that Mr Crow is trying to solve are based largely in Ontario. Some of that inflationary pressure has its roots in the private sector as we have seen markets react in a positive and efficient manner to allocate scarce resources such as labour and to signal shortages that the market should respond to such as housing. However, a large portion of the inflation that we are facing is directly due to the actions and activities of the public sector.

I would like to address four government sources of inflationary pressures: public sector wage settlements, government-imposed cost increases, government competition for scarce funds and sales and various other tax increases.

For a number of years now, Ontario's public wage settlements have consistently exceeded those of the private sector. The only recent exception was 1988, when high-profile settle-

ments in mining and construction temporarily pushed private sector settlements modestly ahead. In 1989 we have seen public sector settlements once again leap ahead of private sector settlements to average 6.4 per cent for the first six months of the year. These wage settlements increase inflation by generally raising wage expectations and by increasing government costs. These costs flow through to become a generally higher cost burden for the people of Ontario.

We recommend that public sector wage settlements be held to a maximum of the average increase in the private sector and that, preferably, they be held below that level until public sector pay scales are returned to a more normal level relative to the private sector.

One source of inflation has been increased costs imposed by government programs and actions. Pay equity legislation, new initiatives in workplace health and safety, increasing environmental requirements and new pension standards, to name a few, have all added to business costs. We do not want to argue the specifics of any of these programs at this point in time, but it is critical that this government understand that these higher costs necessarily flow through to the final price of Ontario's products and are ultimately reflected in the consumer price index.

If we in this province truly want these quality-of-life measures, we must be prepared to accept incomes that are reduced by the amount of costs. We recommend that the government identify and quantify the full cost increases that its initiatives impose on the economy. We further recommend that the government demonstrate, through its own settlements at least, that to the extent these imposed cost increases become part of the consumer price index, the CPI is not a suitable base for wage or pension escalation.

The most pervasive cost in our economy is the cost of money—interest rates. While some interest costs, such as mortgage rates, show up directly in the determination of the consumer price index, this is only the tip of the iceberg. The interest charges that business pays for its capital borrowing and for its operating loans are also costs that flow through the final prices. Government competition for savings in Canada has been a key factor in pushing Canadian interest rates to levels that are perpetually higher than US rates. Canada's poor overall government spending and deficit performance have contributed to a widening Canada-US interest rate gap.

As we heard from Mr Smithard earlier, Ontario's deficit position is poorer than the

public account figures would have us believe, and it is substantially poorer than we feel it should be, given this province's good economic fortunes of the past seven years. Further, the size of the deficit completely misses the extent that this province has absorbed savings by increasing taxes. Greater spending restraint would have meant some reduction in interest rates, not just for Ontario but for the whole of Canada. Ontario has increased its spending much more rapidly than any of the other provinces or the federal government. One respected academic has estimated that 1989 interest rates would have been about one full percentage point lower if Ontario's 1988-89 budget had contained the appropriate fiscal restraint.

We recommend that the provincial government set total spending limits that are low enough to reduce the province's distortion of capital markets, for example, to hold real per capita spending level in the province until interest rates return to acceptable levels. We further recommend that the provincial government establish clear and visible priorities for its programs so that the economic infrastructure necessary to provide future economic wellbeing and social programs is not damaged.

We have seen what appears to be a continuous parade of tax increases as this government strives to keep its revenue increases within sight of its spending increases. There have been frequent increases in rates for existing taxes. We have seen new taxes, which include the employer health levy, the commercial concentration levy, the tire tax, the tax on fuel-inefficient passenger cars and the environmental levy on beverage alcohol containers, and that is just those that were included in last year's budget. These are all higher costs that flow inexorably into the consumer price index and higher inflationary pressure for the country.

**Recommendation:** Stop, or at least that any tax increases or new taxes be accompanied by a full explanation of the choice of this taxation vehicle and assessment of its full economic costs and of the alternatives available. There are two specific topics that Linda would like to address.

**Mrs Matthews:** I am going to pick up on two specific areas, the first being health care costs. This province has undergone dramatic growth in health care costs, as outlined in the government's own Economic Outlook and Fiscal Review. There has been an average annual increase of 12.5 per cent over the last 10 years. The 1989-90 health care budget of \$13.9 billion represents 33 per cent of provincial spending. The government



response to this has been to move away from OHIP premiums to a payroll tax on business in order to generate more money. The solution, however, cannot be limited to providing more money. The dramatic growth in health care costs in this province is putting our future economic wellbeing and the quality of our health care system at risk. We must find ways to decrease those costs.

The Ontario chamber recommends that the province find effective methods of communicating the full costs of health care to the public, something that is currently quite hidden from a usage standpoint. Unless we make these costs visible to the individual user, we do not believe that we can expect people to consider their use of the system. In fact, we would support some type of user fee being considered as the best way to bring this visibility to the public. We do, however, recognize that this is not politically a positive approach to the problem.

We also strongly recommend that efforts to rationalize facilities and improve productivity within the health care system be given a higher priority. Again, we feel that there are tremendous opportunities for productivity improvement within a system that currently requires duplicate and triplicate and X number of examples of paperwork in the way the system works that could be addressed and provide significant improvement in the cost. Money, once wasted, cannot be unwasted.

#### 1420

I would like to look at the GST next. The federal government is committed to replacing an antiquated and seriously flawed manufacturers' sales tax. I am not suggesting that all chamber members are enamoured of the GST as it is currently proposed, but we do agree it is a necessary and positive step forward.

One of our members' major objections to the current situation is that the provinces are not rolling the provincial sales tax into the GST. Businesses will be faced with collecting two separate taxes. This will add unnecessary costs to doing business in the province: two sets of collection rules, two different definitions of what is taxed, reprogramming of business machines and equipment in order to accommodate something that is not required.

All of this is a waste. It is a waste of economic resources both for the business community and for the government which is also having to gear up two different sets of employees who are qualified to administer the collection and whatever of two different sets of taxes.

There are two examples of wasted revenue within this discussion as well that we would like to raise today. One is at border crossings. Provincial sales tax is not being properly collected on imported goods. Our members in border towns are trying to compete with products that have been brought into the province and on which the eight per cent provincial sales tax has not been paid, a substantial competitive disadvantage.

As the GST encompasses a broader base of goods and services to be taxed, the Ontario government could logically even lower the provincial sales tax rate from eight per cent to five or six—I do not know what the correct number might be—and still generate more revenue. This, to the Ontario chamber, sounds like a win-win scenario, a win for business that would be tied into one tax collection requirement and a win for the government in the additional collection of revenue.

Considering these points, our members strongly urge the Ontario government to opt into the GST, and as soon as possible. Every day we delay is money wasted unnecessarily.

Let me conclude our remarks by summarizing. Interest rates have been driven to exceptionally high levels as the Bank of Canada attempts to bring inflation back under control. The Ontario government, through its actions and activities, has been a major part of the inflationary pressures leading to the current economic slowdown.

We ask that this committee help us to get this message to the Treasurer (Mr R. F. Nixon) so that the next budget reflects the concerns and recommendations we have outlined here today. I will just touch on the five major ones. that we must have better understanding of Ontario's true debt, that public sector wage settlements be held to a maximum of the average private sector increase, that spending restraint is required and should be accompanied by lower taxes and/or lower borrowing, that there should be no further tax increases or new taxes and that the government of Ontario should opt into the federal goods and services tax.

We thank you for your time this afternoon. I am sure we have generated one or two potential questions from the members and we will do our best to attempt to answer those.

**The Chair:** We have a little bit of time left. I would like you to limit your questions to one each if at all possible.

**Mr Reycraft:** I did not prioritize them. I am not sure if this is the one I want to ask most but it is the one I had marked as first. It deals with the

retirement gratuities to teachers. Is it your view that those should be reported as an obligation of the provincial government, a liability against the provincial government?

**Mr Smithard:** It is difficult to answer that without knowing the details of the specific contracts with the teachers, but one would think in view of the visibility and the difficulties the province is experiencing right now with the teachers negotiations some information on this should be provided. If it is a direct commitment of the province, then it should be reflected in the financial statements. If it is an indirect commitment of the province, I think it should at least warrant a footnote.

**Mr Reycraft:** I do not believe it is any more an indirect liability of the province than is the debt of a given municipality. The retirement gratuities are addressed in the collective agreements between boards and teachers. Some, probably most but not all collective agreements have them. It is really a liability against the individual boards of education and not a situation that is uniform across the province.

Is that my only question?

**The Chair:** That is it; I am sorry. I have a long list here and not much time left.

**Mr McLean:** It was brought to my attention some time ago that if the province co-operated with the federal government with regard to the GST, an eight per cent tax would probably be all that would be necessary to cover both the provincial and federal governments. What validity is there in that statement? It would probably broaden it for the province, but can you tell me if that would be a true statement?

**Mrs Matthews:** I do not have any details on what the combined rate would have to be, Mr McLean. I do not know whether either of my colleagues wishes to take a stab at that question.

**Mr McLean:** You were very concerned with regard to the province taking part in it.

**Mrs Matthews:** We recognize certainly that the combined rate would not have to be an eight per cent provincial sales tax plus—

**Mr McLean:** Right.

**Mrs Matthews:** —but as to what is a reasonable number, we do not have that this afternoon.

**Mr Eastman:** At the broader base it would definitely be a lower number than simply taking the current provincial eight per cent and adding it on. How much lower, as Linda suggests, I am not sure.

**Mr McLean:** It has been indicated to me that probably eight per cent would be all that would be necessary across the board. I was just wondering how true that was.

**Mr Eastman:** I think that number is a little optimistic.

**Mr Faubert:** What I want to touch on, because it was the first one I came across, is the reporting system—no statement of capital assets in the government's statement—because that is sort of one of my favourites. I ask that every year. We are told, "We can't do that," but I want you to keep pressing for that. We do not have that information either. I know the difficulties governments have in reporting capital assets because a lot of it lies in land and other things. There is great difficulty in putting a true cost on a depreciating asset, depending on where it is.

When you make the recommendation "strongly urges the Ontario government to issue better financial statements," do you mean in a different form? I take it by "better" you mean more understandable and in a different form.

**Mr Smithard:** Yes. I think a more straightforward presentation following the recommendations of the Canadian Institute of Chartered Accountants and in particular presenting the financial statements on a consolidated basis would be very helpful to the readers of those statements.

**Ms Hošek:** My question, the one I am going to be allowed, I guess, is on health care costs. You are interested in our finding effective ways of communicating the cost of health care and then you want to give higher priority to rationalizing facilities and improving productivity. I am sure you have noticed that the province has been working very hard to make sure that we build only the hospital beds we need to build and that the resources we have are used in a more rational fashion.

Really, I am asking you, when you see more comprehensive health organizations being formed as distinct from the current way of delivering health care, when you see more hospital mergers coming down the road and when you see the province being really careful about building new hospitals rather than finding other ways of dealing with chronic care patients, I hope we will hear the chamber of commerce saying that this is a very good thing, because this is a difficult thing for governments to do and we do not get very many voices. So this is an invitation to you. Is this the kind of thing you are thinking about or are there other examples that I have left out?

1430

**Mrs Matthews:** No, I think we are on the same wavelength. What we are concerned about is the fact that certainly you cannot just keep throwing money at the problem and that there have to be ways. We feel that in our current system, prescription drug usage and various other sections seem to keep coming to the front as being areas of—I do not wish to use the word “abuse”; “overuse” is perhaps a better adjective. There have to be ways of controlling those costs that we have not implemented yet, be it from, as I say, drug usage to just pure straight business practices and productivity improvement within the hospital system. I am afraid I am speaking from personal usage a year and a half ago for knee surgery. The process is crying for improvement.

**Mr Haggerty:** I could deal with page 7 all afternoon. I will stick to the one where you talked about the province losing provincial sales tax and people going across at the border towns and so on. Can you tell me any other province in Canada or any other state that allows tourists to come into Canada and Toronto and fill out a tax form so that they can get the rebate on their sales tax when they spend two or three days in Toronto or other places. Is that fair taxation? Is it fair to say—you commented on the person who goes down to Florida, lives there three or four months, takes money out of the country and spends it down there—that no taxes should be collected from him?

**Mrs Matthews:** No, I am saying you are losing revenue because you are not collecting certain taxes.

**Mr Haggerty:** You are losing revenue but I know what the merchants are saying in my area, because I come from a border town, Fort Erie. I look at Mr Crosbie’s comments as the minister responsible. He said: “Get your ship into shape. You are going to have to deal with now or later on”—the businesses; I am talking about the stores. That is all part of free trade. You suggest that they are losing revenue there. Yes, we are losing it. We are giving it back to the Americans when they come over to spend time here.

**Mrs Matthews:** We are referring specifically to goods coming into the province where the provincial sales tax is not being collected. That, right off the bat, regardless of any other costs, puts the Canadian seller at an eight per cent disadvantage. They have not paid that. It is not part of the cost of that good to them in bringing it in.

**Mr Haggerty:** But my question to you is, do you think it is fair that we should allow tourists to come in and then turn around and say, “You don’t have to pay any sales tax”?

**The Chair:** If that is your question, maybe we could get a response then.

**Mr Haggerty:** That is my question.

**The Chair:** Do you think that is fair?

**Mrs Matthews:** I am not sure we have asked our members that question, so on their behalf I am not sure we should try to respond.

**Mr Eastman:** In one sense I am not sure that it is fair, but in another sense I think our whole tourist industry right now is really suffering because of generally higher taxes in this province than in competing jurisdictions. I guess my preference would be to look at taxes across a broader framework and then look at what is fair.

**The Chair:** Thank you for taking the time to appear before the committee. I am sorry we could not have had more time because obviously a lot of questions have been generated, but we do appreciate your brief and your time.

Just before we go to our next presenter, the clerk has asked me to point out to members that she has distributed to you last year’s report of this committee for your information. It should be on your desk in front of you. You may wish to have some bedtime reading at some point before we get into writing this year’s report.

Our next presenter is the Ontario Federation of Agriculture with Brigid Pyke, president, Carl Sulliman, executive director, and Cecil Bradley, manager of research and communications. Thanks for coming today and welcome to the committee. We have set aside about 30 minutes for your presentation and questions. Begin whenever you wish.

**Mrs Pyke:** Including questions?

**The Chair:** Yes.

**Mr Sulliman:** Ours or yours?

**The Chair:** Both. All of the above.

#### ONTARIO FEDERATION OF AGRICULTURE

**Mrs Pyke:** We are glad to have this time with you. In previous years we made a submission to the Treasurer and possibly neglected the role this committee plays in informing the Treasurer about the directions he should be taking in his budget. We are very glad to be able to have the opportunity to do it right this time around and that is why we are here.



On my right is Carl Sulliman, executive director and chief operating officer of the OFA, and on my left is Cecil Bradley, manager of research and communications for the OFA. My name is Brigid Pyke, currently president of the OFA.

I am not going to read the brief. I am just going to hit some of the highlights.

We would like to note that the theme of our convention was "Planting a Healthy Future" and a lot of OFA's activities are geared to planting a healthy future for agriculture here in the province. We want to point out to you that the share of the budget going to the agricultural sector is currently a little over one per cent and has dropped for three years in a row now. According to figures contained in the 1989-1990 provincial budget, expenditures for the coming year are \$39 million less than for 1987-1988. The major programs being cut are the property tax rebate program and the Ontario family farm interest rate reduction program, in the vernacular the OFFIRR program. I would like to address those two issues predominantly.

Our success as farmers in the 1990s is going to be very dependent on our ability to access and manage the capital resources that are required to maintain the farm, finance and transfer farm assets to parents and children and acquire the technology we need to stay competitive; in other words, continue to invest in the farm so we do not build in obsolescence.

One of the farm credit issues we are very concerned about is that in the 1980s Canadian farmers have actually lost \$31 billion in equity, between 1981 and 1987, a phenomenal drop in equity, a decline of over 27 per cent in six years. Adjusted for inflation it is even worse; it is 40 per cent or \$45 billion and 22 per cent of that total loss occurred right here in Ontario.

Farming has become very capital intensive; that is no surprise to anybody. It takes increasing amounts of money to operate a viable farm. It is four times more so than mining, eight times more so than manufacturing and 15 times more so than construction and forestry. All of those activities one could imagine are capital intensive. It is very dependent on debt financing, so any fluctuation in interest rates always has a profound effect on the agricultural community.

The chartered banks prime interest rate hit 13.5 per cent in March, and notwithstanding a small recent drop it has stayed at that level pretty statically. We are very concerned about the advent of the goods and services tax. It is the alleged effect that it will have on inflation. The

corollary to higher inflation rates is higher interest rates according to John Crow. We are very concerned about that.

We also want to tell you that we recently came through the outlook conference in Ottawa named the Growing Together Conference at which time it was projected for 1990 that Ontario farmers' net income would drop by 13 per cent including adjustments for inventory. Without the inventory adjustment it is a little over eight per cent, but either way it is a substantial drop in the net incomes of Ontario farmers projected for the 1990s.

We have asked in our briefs to the Treasurer and cabinet that the provincial government respond to the short-term pressure by reinstituting a program of interest rate assistance. We acknowledge there were difficulties and things that needed to be corrected with the old OFFIRR program, but we think a case can be made for doing something immediately about interest rates, but also to approach the issue of credit, availability and cost, for agriculture in the context of a long-term approach.

We think it is time for the province to get into that. I think it has probably been since 1970 since the province had a long-term of credit policy provincially. We stand out as the only major agricultural province in the country now without a provincial program, a good program for credit.

The property tax rebate program, the second issue, is one that is very important to our members. We have acknowledged to the government on countless occasions that we are not immune to questions about the overall cost of the program. In 1988 I think it would have been \$160 million dollars, so it is a substantial cost and a big portion of the Ontario Ministry of Agriculture and Food's budget. Having said that, we disagree vehemently with not only the process by which the government made changes to the program, but also the changes the government has made to the program.

#### 1440

Just to put it very succinctly, the program we believed for 18 or 19 years, since 1970, was based on the concept that land owners, holders of agricultural assets paid a disproportionate share of municipal taxes. The rebate was a rebate then based on an unfair tax system. The government has made two fundamental changes to disallow rental property so that if a farmer rents land from a land owner and the land owner does not farm it, he is being disallowed and it begins to income-test recipients to bring in the concept that somebody earning over a certain level of

off-farm income begins to lose his rebate. We are opposed to both of those approaches.

We believe that a thorough and fair review will show that the original objectives of the program had been to relieve the farm property holders who are unfairly taxed and that the government chose this rebate mechanism because it was unwilling or unable to reform the underlying property tax system itself. Our position that we are putting to the government now is that we want real property tax reform and, failing that, we want a relief mechanism with legislative status. We do not want to float from year to year on an order-in-council basis. Until that is achieved, we believe that the program should revert largely to where it is right now.

I would like to point out for members present too, just in passing here, that we have received a great deal of the information recently through freedom of information on the machinations in OMAF having to do with the changes made to this program. I am just working my way through that now, page by page. I was amazed to find out that the government is expecting to get \$6.6 million out of income-testing changes that were made. Those are the savings that they expect to make by making those changing criteria.

I can assure you that is very counterproductive when you look at the cost of taking on 66 or 60 new employees in OMAF to do the paperwork for this program. Their salaries alone are going to come to just probably a little under \$2 million in extra help OMAF will need to administer that. Like I say, we need absolute property tax reform and a reversion to the principles that underlie that program.

The next issue that you will probably hearing a great deal about as time goes on is the issue of the position of the processor in Ontario right now as a result of CUSTA, the free trade agreement now called the Canada-US free trade agreement. It predictably has exposed the Ontario food processors to a storm that we feel many of them may not weather.

The OFA, as well as many other groups, pointed out that this was going to be a problem. The Premier's own council came to the same conclusion. The point that we want to make with you today is that we are very anxious that the government not go overboard, as it were, in its response to the processing sector's complaints that the only it can stay in business in Ontario is to badger a better price out of the farmer, to get the farmer to take less for his product so he can maintain his competitive position.

We want to point out very clearly that we are all in this boat together. The problems the processors have with their competitive position are exactly the same type of problems that we have as farmers in our competitive position. We are paying interest rates 4.25 per cent above our American counterparts. We have made-in-Canada tax structures and fuel tax structures and costs for pesticides, etc., that we cannot escape. Our cost of production is very much a Canadian cost of production and that is not being equalized under the free trade agreement either.

We certainly understand the issue that the processors are making, although they were not quite so vociferous with their opinions prior to deciding the free trade agreement as they are now that the dust has settled and they find themselves a long way out on a limb. The point is that we will not, as a farming community, put up with a government that favours the processors and says, "Yes, the answer to your problem is to get rid of all this crazy marketing legislation and get the farmers to accept less for the food."

We also do not believe that the industry is going to be better served by attempting to hive the interest of the processors off and have them served by the Ministry of Industry, Trade and Technology. No matter how uncomfortable the discussions may get between processors and farmers, it is better off to keep it all within one ministry, because that dialogue has to take place.

As I said, it may get pretty raucous at times, but there is not anything to be gained by having the farmers attempting to speak through OMAF and the processors attempting to work through the Ministry of Industry, Trade and Technology, and those two ministers squaring off against each other. That is not going to get us to a solution any faster.

We do feel comfortable recommending to the committee that they in turn recommend to the Treasurer (Mr R. F. Nixon) that appropriate adjustment packages are in order for the processing sector. Forty per cent of Canada's food and beverage processing occurs in southwestern Ontario, so it is a very serious problem for Ontario. Ontario has a stake much greater than any other province in this issue, so we are not opposed to money flowing into this sector. But we are saying there are two people in the canoe, one at each end. We do not want the processors' concerns to take precedence over the farmers' concerns.

Moving on to page 5 here, there has been a trend in the agricultural industry towards production practices that retain topsoil, maintain soil



quality and minimize environmental impacts. Farmers understand very, very clearly—more so perhaps than many people who have more recently become aware of these types of environmental issues, farmers are very aware of the fact that our livelihood and the health of Ontario rests in those few inches of topsoil.

Ontario has a great bulk of class 1 and 2 land in the province and, therefore, a responsibility to Canada to maintain that in a sustainable way into the future. So we support increased funding for the Ontario soil conservation and environmental protection assistance program. Those programs are good programs. They have been oversubscribed, meaning that farmers are virtually lined up to use the programs and there are not enough funds for them; likewise, the land stewardship program has been oversubscribed. We fully support these programs. We think there is good cost benefit for provincial dollars going into those two areas of environmental protection and land stewardship.

Finally, just a few words about the rural areas of the province. I know there is necessarily a great deal of attention paid to the urban areas and certainly Metropolitan Toronto, but there are big changes in the rural areas as well. The enormous gains that farmers have seen in the efficiency and productivity of farming have changed the numbers of farmers out in the rural areas and the fabric of rural society.

You could describe the rural area in terms of the enterprise that takes place, who is doing what out in rural areas and the ability to adapt to change. There are some interesting possibilities and some benefits to be had for the people of Ontario by paying attention to the framework and the policy frameworks within which all this happens out in the rural areas, not necessarily right down to the detail, but certainly the framework itself.

Government programs that affect rural community development currently fall under the jurisdiction of seven ministries. With the exception of OMAF, rural communities must compete with urban interests for programs that are provided by all those ministries. Needless to say, rural communities are often given low priority and simply fall between the cracks.

In order to give emphasis to the rural perspective and co-ordinate government efforts, the OFA has recommended the creation of a cabinet-level committee on rural community development with a multiministerial team headed by OMAF for staff support, and we hope the committee will be able to recommend to the

Treasurer funding for rural development initiatives.

In closing, I would just like to tell you that Ontario farmers have the commitment necessary to tackle the next decade. To recap, our requirements are a strengthening of the financial base, redress of property tax and equities, a very measured response to this issue of competitiveness for the whole sector, meaning the primary producer and the processors, efforts on the part of the government to support resource conservation and a real, long-range look at rural community development. We thank you very much for the time.

**The Chair:** Thank you very much. I do have a number of questioners. First is Mr Reycraft.

**Mr Reycraft:** Have I time for more than one question, Mr Chairman?

**The Chair:** I have five people on the list and about eight minutes.

**Mr Reycraft:** I have talked to Brigid on a number of previous occasions about farm tax rebate, so perhaps I can put that one aside today.

I would like to ask you a couple of questions about the food processors' issue that you raise in your brief. You make the point about inequity of input costs between our producers and those in the United States. Last week's edition of the Ontario Farmer contained a story commenting on some information that has been published by OMAF, suggesting that those inputs are not nearly as different as we have perceived. Is there any comment on that from the OFA?

1450

**Mrs Pyke:** I have not read the article to which you are referring, but I certainly will. One of the points we made to the Premier (Mr Peterson) during our recent brief to cabinet was that this whole issue of our competitive position as farmers or their competitive position as processors needs a lot more in-depth exploration and possibly should have been done in advance of this agreement, because there are many erroneous statements and impressions floating around about those relative competitive positions.

It is very, very important that we find out. We have asked the Premier and we have had some feedback from the Ministry of Agriculture and Food and started talking about what type of an investigation should be done and who could finance it and how it should be done. I cannot be any more specific than that.

**Mr Reycraft:** The story indicated that certainly there was a significant difference in the costs



of chemicals, but with that exception, input costs were relatively even.

**Mrs Pyke:** You see, we do resent the implication. There is an implication put forward on the part of some processors that it all relates to the issue of raw product pricing, that that is the sum total of their problem. If they can get it from the farmers more cheaply, they are going to be okay, but sort of ignoring the labour and the plant efficiency and all these other factors. That is what we resent, because you can look at studies of other products that are not covered by supply management and the price differential between the US and Canada is just as pronounced as it is in the supply-managed commodities, so we just do not buy that argument.

**Mr Reycraft:** No, I think that argument is well taken. Am I to understand from your brief that your advice on how to deal with the problem is to provide some sort of subsidy or financial assistance for the processors to sort of balance things up, as far as they are concerned?

**Mrs Pyke:** We would support measures to increase the efficiency of those plants, but again, we do not want you to ignore the relative efficiency at the farm level either. So we think it should be a joint program that is not aimed just at the processors but is aimed at farmers as well. The competitive position on the overall industry needs to be looked at and should be addressed.

**Mr McCague:** In regard to the farm tax rebate, it seems to me that the farmers themselves were complaining because inappropriate people were getting farm tax rebates, lawyers, doctors and whatever from wherever, especially in my part of the country. The government responded to that, instituted the means test, and not a lot of people realized that what was going to happen was the price of land they wanted to rent was going to go up. The means test is kind of a hard one to argue with, if it is off-farm income. boards. You seem to be suggesting here that the crunch is coming through the food processing industry, the pressures that are being brought to bear on trying to maintain some kind of competitiveness now in an open trading environment.

Now that we are into the free trade agreement, what is the future of the marketing boards? Can we save them? What do you think the province will have to do in order to maintain the kinds of protections, you might say, that the farming community has had?

**Mrs Pyke:** In respect to whether we can save marketing boards or not, that ball is very clearly

in the federal court right now, the outcome of the Uruguay round and whether or not the yoghurt and ice cream decision sticks ultimately. It will largely be the federal government that defines that. What the province can do to sort of save marketing boards in the meantime is problematic, because the pressure that is being brought to bear on it now is as a result of the free trade agreement and it is increasing under the Uruguay round.

I guess the best thing for the province to do is to just not succumb or throw its hands up in despair or buy this argument of the processors immediately that they have got to have lower prices right away or they are going to be out of business. If you destroy those marketing structures that enable farmers to get a price for their product, the processors are going to be no better off because there will not be farmers in Ontario supplying them with the product. Their competitive position is not going to be enhanced by having to go to the US and buy it actually and truck it up here to process it.

There is no easy answer; there is no easy out. We are just moving inexorably towards a tighter, tighter, more troublesome, more controversial position, and Ontario has got a lot at stake. The minister, Mr Ramsay, has taken a great interest in trade and came to our convention fresh from Washington where he heard at first hand that they are out after the boards.

I think he has got a good appreciation of what is at stake here, but Mr Peterson, you know, spent a lot of political chips on the issue as well, I mean, with limited success. So there is not a whole lot the province can do even though this province has more at stake than anything. It is going to be very galling for this province to try and pick up the pieces financially as a result of policies that get made federally.

**Mr Cleary:** I am pleased that you were able to come before us today. I know I have heard your concerns many times before. Mr Reycraft touched on some information that had come out just recently that has a bit to do with the marketing boards and the farmers, and also the food processors. I do believe that is one of the biggest problems we are going to face right now, to try to come up with a solution on that. I do not know what that might be.

I was pleased to hear what you had said there, that you would not have been against help in some way to modernize our plants on this side of the border. Other than that, I do not have too much to say at the moment. I am just pleased that you are able to make your presentation here.

1500

**Mrs Pyke:** We look forward to working with you.

**Mr McLean:** I have just a very short question. I want to compliment you for coming today and making your presentation. I hope that your presentation does not go unnoticed. Two of the key points in it, really though, have not been touched on by some of the previous members, and those are the Ontario family farm interest rate reduction program that was discontinued and the tax rebate program.

Those are two of the things that I believe are the most important to everyday farmers. I would hope that, present in the recommendations that this committee makes, those are the two strongest ones that can be made. I know what the government wanted to do with regard to the tax rebate when you are talking about professional people who do not need it, but that is not the problem. The problem is those people who are farming the land. They are the ones who need it and they are the ones who are not getting it under this new tax rebate program.

Really, it is more of a comment than anything that I wanted to make with regard to it, but the OFFIR program is one that worked well and one that I think is badly needed and I do not think that there has been enough emphasis put on that program. With the way interest rates are today, it can be four or five percentage points and there could be enough to put some of the younger farmers off the land. Really, it was a comment more than anything.

**The Chair:** Is there a final comment you might want to make? I have no other questions.

**Mrs Pyke:** No. We just hope that the committee can take our recommendations forward to the Treasurer, and as Mr McLean has indicated, the key ones are the property tax rebate and the OFFIRR program, the interest rate problems that farmers are having. We look forward to working with you. If any one of you needs further information on any of these issues, we would be happy to give it.

**The Chair:** Our next presenters are the Ontario Non-Profit Housing Association. I see some familiar faces, but I will ask Debbie Kraus, the executive director, to come forward, along with her group. Perhaps you can introduce everyone who is with you. We have set aside about 30 minutes for your presentation and for questions from the committee, and due to our schedule, we would like to stay within those

boundaries if we can. Begin whenever you are ready. The meter is running.

#### ONTARIO NON-PROFIT HOUSING ASSOCIATION

**Ms Kraus:** Thank you, Mr Chairman. I am Debbie Kraus and I am the executive director of the Ontario Non-Profit Housing Association. We appreciate the opportunity to make a prebudget submission to this group. I would like to introduce the other members of the delegation. Roger Maloney is the vice-president of ONPHA and director of operations with Peel Non-Profit Housing; Sybil Frenette is an ONPHA director, co-chair of our land and development committee and general manager with Kitchener Housing Inc, and we have Bill Bosworth who is co-chair of the ONPHA land and development committee and an executive officer with Homes First Society.

**Mr Maloney:** I would like to raise five points which are covered in the summary of our brief. The first one is our office calling for a provincial commitment to the ongoing funding for the development of nonprofit housing, with a production target of 16,000 units per year. This is consistent with the present levels of production through the Homes Now program and the federal-provincial program and has been consistent for the last three years. We do recognize, however, that you need a federal commitment to share the program costs on an equitable basis.

The second key point is, we believe that now is the time for government to act, to take advantage of the current unique opportunities to develop housing at reduced costs because of the availability of provincial lands, the 25 per cent affordable housing policy and the readiness of the non-profit sector to deliver units. The mechanism is in place and fine-tuned right now, thanks to the Homes Now program, and we think it is important to take advantage of that.

Third, we recognize the cost constraints of government, and the Ontario Non-Profit Housing Association is looking at innovative ways to produce housing while reducing costs of development, and long-term operating costs as well. We want to work with government to come up with creative ways to reduce costs.

Fourth, we believe a strong supply program is essential for government to ensure housing will remain affordable for the long term and will serve households with low and moderate income levels.

Fifth, we believe that non-profit programs are the only proven way to ensure the production of



good quality housing that will remain affordable for low- and moderate-income households and remain as part of the affordable housing stock over the long term. For increasing numbers of households, non-profit housing is the only viable option to secure an affordable home.

**Ms Frenette:** I would like to address the issue of land use and the Homes Now policy; also the affordable housing policy of the province as it relates to land use. The Ontario Non-Profit Housing Association strongly endorses the action the province has taken over the last year or so with its Homes Now initiative, with its policy on land use for housing and on the Homes First strategy for government lands. We wish, as a group that represents municipal and private non-profit associations throughout Ontario, to help the province in delivering the units under its non-profit program to implement this very policy.

However, the Homes Now units that were announced a year ago have all now been allocated, and the policies of the province for provincial land and also the policy on land use for housing—both of these programs are now just under way.

The municipalities, through amendments to their official plans and zoning bylaws, are required to have their own municipal policies in place to implement the provincial policy by March 1991. It is our concern that, with the Homes Now units already allocated and the municipalities not expected to have their land use policies in place to implement that, there is a lag period. In order to proceed with the wishes of the province, there must be units to deliver in 1991 to see that that 25 per cent of land coming under development can be delivered with a portion of non-profit housing units.

The other concern is the making available of provincial lands for non-profit housing. We are very happy to see the province with a Homes First strategy for provincial lands, and as I say, we endorse that, but the mechanisms for releasing those provincial lands are now just getting under way. With units already allocated, we have a concern that there may not be the units to deliver on that government land once it does become available, so we are asking to have a means to match your strategy and your policy with our delivery mechanism.

**Mr Bosworth:** I would just like to briefly address the particular abilities of the non-profit field to carry through on the things that Sybil has mentioned. I work specifically with private non-profit groups and, historically, these groups

have shown both the willingness and ability to deliver good quality housing. Currently, the majority of the non-profits have been seniors housing. It has been identified in the communities. But as the housing market has shifted, these groups are now identifying other special needs groups. They are also starting to think that nonprofit housing may be an alternative for their children since, in many cases, these volunteer groups, the backbone of the voluntary sector, the middle class, are waking up to the fact that their children are not going to have anywhere to live in their communities and they are starting to think about alternatives.

### 1510

These groups also have the expertise to develop housing, and they have other assets such as land, with churches, to offer in partnerships on housing.

The nonprofit sector is unique in that it can target housing for those who need it most in the areas which the private sector has been totally unable to do. In the long term, nonprofit groups also generate community acceptance, which private sector providers are not able to do. Community groups can actually get nonprofit housing sited in areas where the private sector would not stand a chance.

Further, the nonprofit sector can be regulated. If you look at what is coming out in the papers, most recently in the follow-up to the rooming house fire in Toronto prior to Christmas, it is pretty clear that the for-profit sector cannot be regulated. For a variety of reasons, they spend all the time in court, and deplorable housing conditions are maintained. The nonprofit sector can be regulated and has a community base to worry about, and it has a commitment to the community to maintain standards.

This means that in the long term the management of a housing resource is best left to the nonprofit sector because it can maintain housing as affordable for ever. The nonprofit sector also has a track record in developing innovative solutions, which when left to the private market are not developed.

I work a lot with church groups. I want to assure you that there is a public constituency out there that wants to develop nonprofit housing. I think the government hears most often about the resistance to not-for-profit housing, but I want to assure you that there is—I hate to use the words “silent majority,” but I think it is a majority of people in the voluntary sector who are committed to nonprofit housing.



They need government assistance to do it. They need a firm commitment from the government that there will be a nonprofit program there so that church groups and the voluntary sector can plan to develop housing. It takes three to five years from the time we identify a need and a site to get a shovel in the ground. That means now that groups who do not see a commitment from the government to a nonprofit housing program are not going to be looking at sites, and in three to five years, when the housing problem is not solved, there will be no groups to do it.

**Ms Hošek:** I can say now what I guess I could not say, which is, I agree with everything you have said.

One of the things I am interested in is this whole question of the viability of the nonprofit sector and the kinds of arguments we hear from the private sector. Certainly, I remember hearing constantly from the private sector that the solution to the lack of housing that was adequate for the needs of people of low and moderate income was the removal of rent controls. I gather that the removal of rent controls six years ago in British Columbia has not created a bonanza of rental housing available for people of low and modest income, so I guess I want to hear some more from you about what role you see for the nonprofit sector over the long haul in dealing with the needs of low- and moderate-income people.

You mentioned the Social Assistance Review Committee report and I guess what I am coming around to is my sense—I do not know if you share it—that the usual answers about what to do to solve the problems of particularly low-income and moderate-income people simply have not worked when it comes to the housing part of the supply of the commodity. If you have anything to say about that, I would be interested in hearing what you have to say.

**Mr Bosworth:** Let me start with a story. About 12 or 14 years ago, I tried to convince my then employer to spend \$100,000—\$10,000 down on each of 10 rooming houses. It was the businessmen on the board who shot me down. They said, "This doesn't work." The rents that people could afford on welfare would have covered the mortgages and the organization would simply have had to put up administration and some programming costs, which it could raise funds for in other ways. If that group had done that, at this time, it would be sitting on \$6-million worth of property paid off. In the meantime, there would have been 100 people

housed. Those people have been housed at much greater expense.

A building that I built a few years ago was \$40,000 per room. That same building now would be about \$90,000 per room. Whenever you get into developing nonprofit housing, it is expensive at the time, but in a few years you are a hero. And it remains affordable for ever.

If I were a private sector landlord and had been able to persuade that group to spend \$100,000, we would have now had a \$5-million profit which we would have felt obliged to take out, so we would have sold off those houses at the current value, taken our money and gone into commercial development of some other kind.

That is what the nonprofit sector does not do. What we could do is mortgage part of that to go on and buy other housing. I think the reason the nonprofit sector can provide affordable housing is exactly the structure of it, and the reason the private sector simply cannot do it is that it has to take out those profits, all of them, at some point. That is what they are in business for. We do not. That is the main reason. It is a structural argument. It has nothing to do with, "We are good people," or anything else.

**Mr Daigeler:** I was just wondering whether you could inform me on the distribution among the nonprofit housing sector in involvement in the building of homes, or more or less family units, versus apartments. Would you say the major focus is on the construction of family units, or are you also quite heavily in the development of apartment buildings?

**Ms Frenette:** Every two years, a municipality is asked to do a needs assessment to determine what group it should be serving. It is from that needs assessment that they determine whether they should be serving family housing, special needs housing or senior citizen housing. What is being built is reflective of the needs from that actual community.

If you were to look at the distribution of housing form throughout the province, you would find that in a small rural community that has a need for senior citizen housing, you might have a small senior citizen apartment building. In my area, which is Kitchener, we have more family housing. The program does not pay to have single-family homes or semis built, but we do build town house developments for families, about 14 units per acre.

**Mr Maloney:** I would add to that, certainly in the growing municipalities like Peel, it is apartment buildings and town houses that we build. Some of the larger centres like Toronto

and Ottawa have a number of scattered houses that the city has acquired over the years, and those are the individual houses that they have. But principally, it is apartments and town houses.

**1520**

**Mr Morin-Strom:** Thank you very much for your presentation. In a sense, you are following up on several other presentations we had last week in a similar vein.

I would like to ask about how one can go about assessing the need, in terms of amount of housing stock that is needed, under an affordability criterion, and how well the private sector is coming to achieve it. I see you have some figures here. For example, 200,000 households in Ontario were caught in a cycle of homelessness, some 430,000 households in core need, according to CMHC figures for 1986. Do you really have a good idea as to what kind of shortfall we have in terms of numbers of units of affordable housing in the province of Ontario?

**Ms Frenette:** The assessment of needs is done municipality by municipality. We do know that the waiting lists for Ontario Housing Corp housing are growing; they are not getting less. We know that our own waiting lists by nonprofit are growing, rather than getting less. In my own community I know that the private sector has not been building rental housing. What has been going up are condominium buildings. Some units are being rented, but they are being rented at the high end of market rent, which in Kitchener is \$1,200 a month, where we know that the affordability level in our area is more like \$750 a month.

So there is a growing gap between what is being provided in the rental market by the private sector and what is being provided through the nonprofit sector. I cannot give you a number province-wide other than the numbers we have provided, but that figure could be assembled by talking to each municipality that does do a needs assessment.

**Mr Morin-Strom:** Are we in a position in Ontario now where effectively almost the only units that are coming on stream at affordability levels are those being generated from the nonprofit and co-op housing sectors?

**Ms Frenette:** Yes.

**Mr Morin-Strom:** So if those kind of programs were to terminate, apparently there would be no opportunity for meeting future needs from the private sector. Is that what you are saying?

**Ms Frenette:** What we have seen the private sector construct in our area when it is attempting to meet a lower-income group is a very basic structure that does not have longevity built into it. Also, the mortgage was refinanced and the property may be turned over after a few years, so there is no assurance that this building and those rents will remain at the same level. Rental increases in Kitchener have been about 14 per cent per year. Even with rent review, rents are rising much faster than the rental target.

**Mr Mahoney:** We started about 12 years ago with one building and 90 units and we are now the largest landlord in Peel. It is really because of rent control—the growth out there, of course, but the private sector not building. We have become the largest landlord with about 4,000 units. Our waiting list has gone from about 2,000 people to well over 6,000 and every time we open a project there is a large demand and a lineup to get into one of those projects. The only thing that is coming on the market from the private sector is really luxury condos that some people are renting at exorbitant rents.

**Mr Faubert:** Do you represent both public and private nonprofit groups as an organization? That is basically your association?

**Ms Kraus:** Municipal nonprofit groups and the community-based private nonprofit groups.

**Mr Faubert:** Okay. We had a group before us last week that also made reference to the need for affordable housing for singles. They also put forward a recommendation of government involvement. Some of them have a program of finance funding through the Ministry of Housing, nonprofit control management over singles housing. Prior to this, I have talked to groups in my constituency that are in the process of starting applications related to housing. They are just not interested in singles.

Yet the need is not only in downtown Toronto; the need is in Metro and sometimes outside of Metro or in the greater Toronto area. Have you as an association found this? I know you do not necessarily do needs studies by region, but do you encourage private nonprofit groups to look at singles housing, as well as family; and do you go after municipal governments to also look at those that are so inclined to be part of the nonprofit land structure to look at needs for single housing?

**Ms Kraus:** In terms of our members, our members come from across Ontario, from all over; rural, urban, large and small areas. I think that reflects the needs that exist across the province outside of Toronto. These groups are



also serving a range of needs: there are singles, there are families, all kinds of different groups are being served. I think that reflects the diverse needs throughout the province.

**Mr Maloney:** Our difficulty in giving you specific numbers is that we are a very new association. We have just gone through a large membership drive and we have a lot of members now. We have to find out what their waiting lists are and so on, and what the needs are in the communities. That is where we are at now. We are trying to get that type of information available, because it does not seem to be available through the ministry either. We know our own situation and that of the other large producers, but for every small municipality and every private nonprofit there is a number we do not know, unfortunately.

**Mr Faubert:** Your position was 16,000 units of nonprofit. This group is called Affordable Housing Action Group from Toronto and it is looking at a figure of around 20,000 per year in some form of both provincial and provincial-federal co-operatives. Which figure do you think is the more realistic?

**Ms Kraus:** I guess it depends whether you are talking about need or about what we think is a realistic demand at this point. The 16,000 is basically consistent with the current levels of production, if you include what has been produced under Homes Now and if you include the federal-provincial nonprofit program as well. That is the level that has been targeted for production over the last three years.

**Mr Bosworth:** If I could just follow on that point, I think the nonprofit sector is also looking at other ways of providing affordable housing besides through the federal-provincial program or a program like that. So the 16,000 units that we are asking for are of that type of program, and there are other things such as the Metropolitan Toronto Housing Co Ltd announced just last week, a seniors' equity project. Church groups were willing to put land in and finance the building. Those sorts of things can also achieve low-income housing.

**Mr Faubert:** You are taking that as a base figure, then.

**Mr McCague:** I presume there are a lot of urban municipalities that still do not have any nonprofit housing. Do you know that?

**The Chair:** There are a few being nudged.

**Mr McCague:** That is right.

**Ms Kraus:** The number of municipalities that have become involved in the program over the

last few years has really grown dramatically. Right now over 120 municipalities are involved in the nonprofit housing program. I think that is double what it was just a few years ago.

**Mr McCague:** There is nothing the matter with nonprofit housing, but a great number of people out there have to be persuaded of that.

**The Chair:** Don't we know.

**Mr Faubert:** You are right.

**Mr McCague:** What are you doing to be persuasive in that area? Are you doing very much?

**Ms Frenette:** I think if you look at the nature of our development and the process that we go through when development is built, each group will approach it differently, but a lot of nonprofit groups will have meetings with neighbourhoods, public information meetings. They also build a very high quality development that is architecturally designed and made compatible with the adjacent community. We feel, through what we build and using it as an example, we are starting to win communities over. I strongly believe what we are constructing in the area of rental accommodation is far superior to what the private sector is building and that reality is becoming apparent.

**Mr McCague:** Yet one of the goals of the ministry is going to have to be getting the private sector to do more than it is doing. Chicken and egg, I guess.

1530

**The Chair:** I think Roger is being a little modest. Maybe you should tell him a bit about the bus tours.

**Mr Maloney:** I can certainly add to what Sybil was saying in that in Peel particularly, we have an implementation plan for every project where we actually meet with the community—and Mr Mahoney can tell you what that is like sometimes—where the ward councillor chairs the meeting. As well, over the past several years, I cannot count the number of tours we have given for York, for some MPPs in fact, for the Halton region and a number of other regions, where people have come out to see our projects.

Often on a Saturday we will have a busload of people. Recently we had a busload from Etobicoke who came out to see what our projects were like and what you can produce under the program, how we fit into the community, and the fact that in one situation we have a project on the street with a private sector one beside it. We always drive up that street and say, "Which one is ours?" Inevitably, they pick the private sector



one. Ours looks much better. So we have done a tremendous amount of selling of the program.

**Mr McCague:** The former Minister of Housing would probably agree that it is a sales job that needs to be done outside of the big smoke, Mr Chairman, where you come from.

**Mr Faubert:** No, inside the big smoke, too.

**The Chair:** We are just the little smoke.

**Mr McCague:** I happen to know of one situation where a church is into the originating of a nonprofit housing scheme. Half the town thinks the church should not be in the business at all. They get a piece of land and they say, "The only person who is going to make any money out of this is the fellow who owns the land." On and on and on it goes, and you do not get anywhere. So some firm direction like the 25 per cent affordable housing policy for nonprofit housing may, in fact, improve its lot.

**Mr Cleary:** You say you have 120 municipalities involved now. Of what population is the smallest municipality that you have involved? Would you have any idea?

**Ms Kraus:** There are very small towns. I do not know the population of all the different municipalities, but there is the town of Elliot Lake, Michipicoten—they are just very small towns.

**The Chair:** Ms Hošek, did you have a final question or something you wanted to come back with?

**Ms Hošek:** It is a question about timing. I remember that when the Homes Now project was first started, and at the time that these questions that led to it were taking place, the biggest problem many people were having was getting land. When the Homes Now project was announced, there was a certain amount of panic in the ranks about whether the land could actually be found to build all of these things.

I would like your sense of what the status quo is on the question of land right now, and also any reflections you may have on the relationship between continuance of that nonprofit housing now and the state of the housing industry. It is quite different now from the way it was when Homes Now was announced. What does that have to do with the appropriateness of nonprofit housing now? It seems to me that, obvious to all of us when that project was announced, there was enormous competition for land and resources. The situation in Ontario is clearly different now. What does that mean about what you are asking for?

**Ms Frenette:** The land situation, I have a reading from the membership, has eased up somewhat, but, again, that varies from municipality to municipality. But there are sites that are available. We are particularly interested in some of these provincial lands that are becoming available, some of the large multi-acre sites. We would like to have an opportunity to have a portion of each one of those sites for nonprofit housing.

Although the economic environment has changed somewhat and availability of land has eased up a little bit, we remain adamant that the nonprofit sector is doing something and will continue to provide a form of housing that the private sector will not provide no matter what incentives are given.

**Mr Maloney:** I think I can just add that the knocks are coming on our door now. A lot of private developers in our area are now coming in with proposals. As well, some of the developers who had planned on building condominiums are now looking at different alternatives. I think that is happening in Toronto as well.

**Ms Hošek:** So you are saying that what has happened in the market is such that you are now getting people who want to build nonprofit housing, who three years ago did not.

**Mr Maloney:** In fact, two years ago we were going out looking for people, and now the opposite has happened. People are coming in to us and saying: "I have got a piece of land here. There is a possibility." That is happening almost every day now. It is axiomatic that you cannot get land and if you have the land, you cannot get the units.

**Ms Hošek:** Why does that sound familiar to me?

**The Chair:** We all have some work to do here, let's face it. We cannot make it easy.

**Mr Bosworth:** I think that is why it is so important the provincial government makes a commitment to a nonprofit program, funded adequately, makes it need-based rather than resource-based, that is driven by the need for nonprofit housing rather than what is perceived to be affordable by the books. Then when land is available, we can take it and when it is not available, we can wait. But we can plan and develop the organizations to provide housing for people.

**The Chair:** Thank you very much for your brief and for taking the time today. We appreciate very much the information you have

provided and will take it into account when we write our report.

**Ms Kraus:** At this time I would like to introduce our president, Don Richmond, who arrived and would like you to know that he is here for the committee.

**The Chair:** Our next presenter is from Data Resources of Canada/McGraw Hill. It is George Vasic, director of economics, whom we have invited to come to the committee to do a little crystal ball gazing, perhaps, and to give us some advice and share some of his ideas with us. Welcome, George, and thanks for taking the time to come today.

We have about 30 minutes for a combination of your presentation and questions. Begin whenever you are ready.

#### DRI/McGRAW HILL

**Mr Vasic:** I suppose now is as good a time as any. Let me just take a moment to introduce who we are, for those are not familiar. We are an economic forecasting and consulting organization which provides advice to clients, basically in the industrial sector, financial institutions, as well as the government, including among others the Ontario government.

When economists come to testify, the extent to which we are able to crystal ball gaze is always called into question fairly quickly. But if you believe the Financial Times of Canada, which does an annual rating of forecaster accuracy on their predictions one year out, if you look at our record over the last six years, according to them, ours has been the best of what is probably a very sorry lot, I am sure you will agree. Ours has been the most accurate one year out forecast, let me say that now. Hopefully, that means I will have your attention a little bit more during the next few minutes.

The overall message I would like to leave you with, in terms of the economic prospects that the country and Ontario are facing, is that we are not yet actually in an official recession. A lot of the press that you have seen, a lot of the forecasts that you have seen, have concluded already that the recession has begun and the woeful prospects for 1990 are now completely unavoidable.

Our own view—and we do not need to be sensationalistic to attract our client base, because they are of a longer-standing nature than you might find from other organizations where there may be in part a vested interest to make sure their analysis is brought to the attention of the media and others—is that we are in the most vulnerable period, clearly. The fourth quarter of 1989 to the

second quarter of 1990 really represents the end as we see it. Whatever fate the economy is coming to, we are experiencing it now and we feel it will last through the first half of 1990.

Our own view is that the real answer or the end, in a sense, is a period of negligible growth and so what you should think about is an economy that is moving sideways, rather than through a V-shape as you would traditionally call an economic recession. As is always the case, at times like this, there are plenty of data to justify recession fears, and we are not saying the fears are totally unjustified. If you look at chart 1 on top of the Canadian forecast summary entitled *The Final Act*, you will see that a number of indicators dropped off during October. Those look to be reversing during November and our own view, that it will be a close brush but that an actual recession remains about a one in three probability for 1990, I think still is the most accurate view to hold.

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I have included two documents here. One is obviously our latest Canadian forecast summary. Behind that is our recent sentiments for Ontario. Just so that you know where you are in these handouts, table 5 on page 7 of the Canadian outlook has all the numbers you would normally want to associate with these kinds of discussions. The Ontario handout also has a similar set of numbers towards the back, so if you are looking for any specific information it is to be found in those places.

One point that I would like to make along the way in terms of what are the main factors shaping economic prospects is the US economic outlook. In many ways the bottom of growth in the US occurred in the fourth quarter of 1989. If they are to enter into a period of contraction at all, it will be in the fourth quarter of 1989. That data will not be out for several days yet and obviously it will be revised several times thereafter. The point I want to make with that kind of comment is that even though through 1990 you are still going to see numbers that show year-over-year declines in whatever measure of activity they are showing, generally speaking the level of activity in 1990 will be above the level that we experienced at the end of 1989.

For example, car sales, vehicle sales in the United States which are an important determinant of Ontario's transportation equipment fortunes, we see as having bottomed out during the fourth quarter of 1989. Sales in 1990 will not be as high as they were for the whole year of 1989, but in fact will be higher than they were in the

fourth quarter. If you view the economy as having come down what is not a steep roller coaster but a gentle one, moving gradually sideways for the first half of 1990 and then a little bit east-northeast for the second half of 1990, that is the best characterization of our view of the prospects.

What are some of the key assumptions underlying that? We have a modest decline in interest rates, 1.5 per cent in the prime rate by year-end. We also have the Canadian dollar coming down to 81.5 cents by year-end 1990. That is only two cents below where we are now. I think some of the developments last week on foreign exchange markets bear both good news and bad news for the Ontario economy. The good news was that the dollar came down two pennies over the last week. The bad news is that it only took a quarter point reduction in treasury bill yields to accomplish that. If there is a concern in that whole exercise it is that the Bank of Canada will be reluctant to let rates drop too quickly for fear of triggering a sharp decline in the Canadian dollar.

The way you should view the Canadian dollar is that it is a high-yield currency foreign investors go to when they feel comfortable about the exchange rate outlook. Their arithmetic would be to say: "I am being measured on my US dollar performance. There is a country north of the US that has, at the short end, much higher yields, and at the long end about a point and a half higher yields. It also offers the prospect for a point or two in currency appreciation." If they want to look good in terms of international comparisons they can say, "We will beat the US bond market by a couple of points." If you do that, you are going to be in the top quartile of bond fund managers. That is really all their objective is.

However, when the feeling that Canadian rates will not remain high and the Canadian dollar may have levelled off or started to fall enters into it, they do not need to make a very large portfolio adjustment to undermine what is a fairly thinly traded currency on international markets and cause the kind of decline that we saw. I still think, however, that the 1.5 decline in interest rates that we have in our forecast is realistic, even given last week's developments.

Against that Canadian background we have the Ontario outlook that is behind it. As you know, Ontario has been doing much better than—it did about the same as the economy during 1989, but prior to that it had a period of several years where its growth rates exceeded that of the economy as a whole. We see 1990 and 1991

essentially as a period where there is some catch-up and where growth in the Ontario economy lags behind the national totals.

We are still, however, looking for positive growth, just a little over one per cent in both 1990 and 1991. What that means is that we will have a slight increase in the unemployment rate, but happily it is from a level that is in the low five per cent range and is certainly well below the Canadian national averages. Also there has been a shift in interprovincial migration. That will take some of the pressure off the housing requirements that have been evident in our housing markets over the last several years.

I think one point you want to keep in mind is that before 1989 one of the factors that has been cushioning the blow is the fact that our auto trade has been doing a lot better than it was in the previous year. This increased production centred in Ontario is one of the factors that prevents us from having what I would call our typical late-cycle bust.

I might point out that in terms of boom-bust I think I am uniquely qualified to comment. I began my career as an economist in 1979 and have seen an unprecedented period of both double-digit inflation and serious recession. Also, I am from Windsor, Ontario, having lived there for over two decades, so I have some experience with boom-bust and what that means for a smaller part of the economy or a subsector of the economy, and I know the kinds of psychology and factors that go on at periods like this.

The committee asked for recommendations, in addition, as to what one might be able to do about the circumstances we find ourselves in, with a view obviously of improving Ontario's economic fortunes. Given what I have said, my conclusion on that is that in terms of Ontario fiscal policy, it is really a little too late to act on that right now. We are probably a third to half of the way through the worst part of the slowdown. Moreover, prospects for recovery basically are contingent upon the revival in the US economy and a decline in the exchange rate and interest rates through 1990.

I do think that one particular factor will be important in terms of the positioning the government takes in terms of its description of the economic environment. Right now we are at a stage where the consumer in particular is greatly in debt. If you look at debt-income ratios, they are 75 per cent which is a record high. Savings rates are at their lowest level since the early 1970s. Particularly with media attention to



widespread layoffs, even though most of them are temporary, there is concern in the consumer psychology that has been translated into weaker spending during the second half of 1989.

Our view is that so long as that concern remains concern but does not translate into panic, then a recession in the conventional sense is avoidable. One factor that has helped us is that we are not really, in 1989, at the peak of the roller-coaster the way you might have thought of us in 1979 or in early 1981. Rather, we have already come down the grade some distance. Car sales peaked in 1985 and housing starts peaked in 1987. We have already come down part of the way.

What we are looking to do now is to finish the transition in a relatively orderly manner. So long as the consumer is not spooked, our view is that we will move ahead more with a sideways motion rather than this typical late-cycle plunge. I think comments that are constructive, comments that do not inflame the urgency of the current cycle, probably will be very helpful in allaying the consumer's fear, that what we are going through is simply a pause in the economic expansion and nothing that should cause them to retrench quickly and set off the chain of reactions that can typically occur and that are typically necessary to instigate a full-fledged recession.

Let me pause on that note and ask for questions.

1550

**Mr McCague:** You say that this is not a recession but a slowdown. What is a recession then?

**Mr Vasic:** Let me give you the economists' technical definition.

**Mr McCague:** I wonder, can I pass this on to my constituents?

**Mr Vasic:** Who are your constituents?

**Mr McCague:** Everybody.

**Mr Vasic:** A recession is defined as basically two consecutive quarters of negative growth in the gross domestic product, so the GDP has to shrink for two consecutive quarters. That is the conventional definition of a recession.

However, behind that is a view of a V-shaped pattern. Typically, you come off a period of boom to period of semiboom and you fall off the edge where people, usually because of a large squeeze in interest rates, decide—I am not talking so much of a high level of rates but of a rapidly rising interest rate—"These rates are uncomfortable for me. I do not know how high they are

going to go." They then decide to retrench very quickly.

A good example of that was the early 1980s cycle where we had a short, sharp dip during the second and third quarters of 1980. In the US that was abetted by the Carter credit controls. You need an environment such as that where you get the dominoes rolling. That will cause a larger scale of retrenchment to occur. That usually is the difference between slower growth and recession. Most consumers will not like the high rates Mr Crow has been administering to the Canadian economy. The fact is that they have been flat and as yet have not instigated the type of alarm that you typically see just prior to a crash in the economy.

**Ms Hošek:** Some of the things I read give a quite different scenario from the one you have given. I would like you to address them. The scenario they give is also very much based on what yours is, that it is what happens in the United States that is going to condition what happens here, but their analysis is that the debacle of the savings and loan associations in the United States, the various junk bonds that are coming home to roost and being hard to finance, and basically the credit crunch in the United States can send that economy relatively easily into a deflationary spiral.

You have obviously taken an entirely different tack or analysis of that. I know the situation for credit and liquidity in Ontario and in Canada is quite different from that in the United States, but what is your sense of the relationship between that scenario and what you see here?

**Mr Vasic:** I think you still have to keep scenarios such as that as relatively lower probabilities. It is possible—there is no doubt about it—but our own US forecasting group has called for the cycle I have described, which is at the bottom of table 5, the kind of growth that we have seen. They have taken explicit account of those types of developments. We assign about a 60 per cent probability for the scenario I have described, with this sideways movement and slower growth for just over a year.

You have to look perhaps more positively at it as well. To the extent that that lowers interest rates south of the border and instigates some growth there, we will be well positioned to serve that market. In a sense Mr Crow has been able to get away in Canada with higher rates thanks to the fact that Mr Greenspan is not quite as vigilant on inflation as he is.

I think one of the interesting comments you hear is President Bush clamouring for lower

interest rates from Mr Greenspan when their Treasury bills are 7.75 per cent or 7.5 per cent, and Mr Crow who has 12 per cent plus treasury bill yields here in Canada gets only unambiguous support, presumably, from the Minister of Finance and the Prime Minister. So it is quite a difference. I think in part we may benefit from some of that in terms of our market share and the resulting effects on the US.

If you want to think of a recession and what could happen, one in three is our best estimate of what that likelihood is. You can overdo it. As you can see from the first chart, there is data to support almost any scenario. If you are willing to take the right pieces of data, annualize them and compare them to the best piece of historical information, you can always come up with a very severe crisis.

We do not think things are that severe right now. It will take some additional mistakes to transform the environment we think will happen into something much more substantial.

You should also note that historically—I have looked at this over a longer-term period—economic projections tend to be more pessimistic than reality. That is the fact of the matter. Bad news sells for one thing, and maybe it is easier to identify the negatives than it is the positives when you are talking about the future. If you look at economists and forecasters in general over the 1970s and 1980s, they have been too pessimistic. If you look at the numbers as they have turned out in terms of economic growth, job creation and things such as that, they have been better than prognostications, on balance.

I choose at this point to be on the optimistic side of the negative consensus. I think that is the best place for me to be.

**The Chair:** That is a good political statement.

**Mr Morin-Strom:** I know that Data Resources looks at other scenarios as well. You mentioned that this is your high probability scenario, I guess 60 per cent. What are the other potential scenarios?

**Mr Vasic:** I think those are well summarized on page 6 of the forecast summary. In fact the whole outlook in both paragraphs is well summarized. It is difficult for economists to be brief, but that is where you will find it.

You will see the other two scenarios that we have are both recession scenarios. On this early cycle we put 25 per cent, which is again a psychology-induced or psychology-abetted plus policy-error-abetted type of scenario. In my view it would be difficult to get both occurring all at once.

The second one is one that probably no one has talked to you about and that is that what we are experiencing now is just another one of the normal bumps and grinds of the economic data and 1990 then actually moves on to be a fairly robust year, and as a result of that, we go into a 1992 recession which is then a more conventional one. That is a one in seven probability, basically, according to our judgement.

Those are the alternatives we see. More of the risk is on the downside than the upside, but still I think we have enough breathing space to essentially call this a sideways economy even though it will in effect be going slightly up.

For most organizations, frankly, it is going to matter more where they are in terms of what sector they serve than whether we are in slow growth or zero growth or this technical recession some people are talking about. Most businesses will not be able to tell the difference between the two.

**Mr Morin-Strom:** Looking at the graphic on page 6, your preferred scenario is the only one that does not have a serious recession in it. The other two are actually both worse.

**Mr Vasic:** I hear what you are saying. That is correct. However, one cannot run every possible scenario under the sun. If you ask me to do one more, it would be one that is more optimistic, perhaps with two per cent type growth in 1990 but that I would put at 10 per cent or less, at this juncture certainly.

**Mr Morin-Strom:** The Ontario government's forecast was based on two per cent real growth provincially, which seems to be at the higher end of most of the forecasts we have seen.

Maybe moving to another issue, specific industries, I think most recognize the auto industry as being the most important industry in Ontario. The provincial projection for transportation equipment, which is heavily in the area of auto production, shows real growth of 0.2 per cent for 1989 and 1.7 per cent for 1990, but then in the medium term, the following three years, 1991 to 1993, they are projecting 5.9 per cent average which seems to be very positive for that critical area. What do you see for the auto industry in Ontario?

**1600**

**Mr Vasic:** I would like to alert you to the graphic chart in your Ontario handout. Chart 11 shows the well-known and close linkage between North American auto sales and transportation equipment. Also, if you look at table 3, just prior to that, we basically have in 1990 0.4 per cent, in



1991 9 per cent and then in 1992 3.2 per cent growth in transportation equipment.

Also, earlier on in the discussion we note that the nonvehicle part of that, ie, aircraft and so forth, is looking pretty good these days. If you look at some of the recent Canadian import figures, there have been some fairly strong imports of aircraft and other parts like that because of an ageing fleet. So there are some bright spots in there.

**Mr Morin-Strom:** In northern Ontario, the industry that is really of concern is the forestry sector. With pulp and paper particularly, everyone is saying they are at overcapacity in newsprint, and meanwhile there are tremendous environmental pressures to go into using recycled paper, which mills, particularly in northern Ontario, are not capable of handling at this point when they are already overcapacity. And, of course, lumber has been seriously hurt in recent years by the import duty into the United States.

Can you say anything about the forestry sector?

**Mr Vasic:** I would have to agree with that basic outlook for the forestry sector. I might make a point, and I am not actually sure where Ontario's forestry output goes, that the US housing sector is bottoming out right now. That is a notable difference north and south of the border. Actually, if you looked at the car and truck performance north and south of the border, you would see the typical similar overall profile. But housing in the US has been relatively weak for around a year and our US group again feels that we are likely experiencing the bottom right now. So to the extent that there are export opportunities, that may help them out in 1990.

The rest of the outlook, I think you also have to factor in—one thing I follow, which is not a bad indicator, is lumber prices, which have actually been picking up over the last few weeks. I think that should be viewed as a sign that the revival in US housing is, in some sense, for real. Not that we are predicting booming conditions, by any means, in 1990, but it is picking itself up off the floor and lumber prices are now edging back to \$200 per 1,000 board feet, which is still pretty good. If the housing sector was in fact much weaker, you would see those plunging in fact.

The other thing is commodity prices and things like that affecting some of the Incos and so forth up there. We are just on the wrong side of the cycle on that for the next while and there is really no escaping that.

**The Chair:** I have one final question from Mr Daigeler.

**Mr Daigeler:** Just very briefly, do you have any medium-term projections for the automobile industry in Ontario?

**Mr Vasic:** If you look at table 3, if the medium term includes the outlook to 2000, you see the actual raw numbers for the transportation equipment industry. It has its cycles, mainly due to when new plants are opening and things like that, but it looks pretty healthy, you would have to agree, on the whole. Was that your question?

**Mr Daigeler:** Yes. You said it looks pretty healthy. This seems to be a bit different than what I have been reading recently.

**Mr Vasic:** Is what you are reading related to the impending downturn or is it more of a medium turn?

**Mr Daigeler:** Yes. The competition from Pacific—the overcapacity in the sector.

**Mr Vasic:** There is an overcapacity issue. That is clear. We again at DRI have a whole myriad of different groups that do different things, but we have one that devotes itself specifically to the light vehicle outlook for North America and the world. Our projections of Ontario's transportation equipment, our industry, are consistent with those views. I could not articulate how we get to 3.2 per cent growth in 1992 in a detailed way, but I can assure you that those do represent our views and those issues have been addressed.

**The Chair:** Thank you very much. On behalf of the committee, thanks for accepting our invitation and providing us with a somewhat optimistic viewpoint of our future. We appreciate that. Thank you for coming.

Our final presenters of the day are from the Council of Ontario Universities: Edward DesRosiers, director of research, Grant Clarke, deputy to the executive director and Professor Terence Grier, president of Ryerson. Welcome and thank you for coming today. We have a copy of your brief and we have set aside about 30 minutes for presentation of that and questions by members of the committee. We invite you to begin whenever you are ready.

#### COUNCIL OF ONTARIO UNIVERSITIES

**Mr Grier:** Thank you very much. My name is Terry Grier. On my right is Grant Clarke and on my left Edward DesRosiers. We appreciate the opportunity to appear before you this afternoon. In view of the shortness of the time, I am going to try to focus on the essence of our presentation, which is not long. I will take you through it very quickly.



On the first page you will find a figure 1 summarizing our financial position in terms of the increases provided against the need, and I want to address that directly. The government announced an increase of eight per cent. It is perfectly true that when you take a look at the total funds available to the system this year compared to what was available last year, there is an eight per cent increase. The real question is what that eight per cent enables us to do, what it in fact represents.

The government itself has acknowledged its obligation to provide continuing funding for what we call accessibility, that is to say, enrolment increases which the system undertook two years ago and which are flowing through now and for which funds were provided with an assurance that they would continue as those students moved their way through. The government identified 3.1 per cent of that eight per cent as being for accessibility, leaving an apparent 4.9 per cent, roughly five per cent, available to meet the increase in costs, the so-called inflation increase.

Here I have to direct your attention to a number of items, all but one of which have emerged very recently as additional costs upon universities as employers.

Four of those costs are the direct result of decisions made by federal and provincial governments, which have the effect of increasing the costs that employers have to bear. You are familiar with the employer health tax. Then there is the provincial pay equity program, which begins to take mandatory effect this year, and there are some smaller items arising out of adjustments at the federal level.

If I can focus on those for a moment, they add up in and of themselves to 2.7 per cent of gross salary and compensation, or grossing down about 20 per cent, to express it in terms of overall budget. We are looking at about 2.1 per cent, two per cent, of the overall budget of the universities being required to deal with these new costs. These are costs which we were not bearing a year ago which we will now be bearing.

That leaves roughly three per cent to deal with contractual career progress and cost of living, or if you take out the contractual career progress requirements, which are built into the collective agreements and the arrangements with our faculty as they move from junior to senior status in the professoriat, we end up with something just under two per cent to meet an inflation that could be, depending on which number you want

to pick, anywhere from 5.5 per cent to six per cent per year in the coming year.

The bottom line for us is that there is no way we can deal with these additional costs except by receiving compensatory additional revenue or by absorbing them into the budgets of the university and in effect cutting back all other activities. So the real increase for the universities is, at the most generous estimate, three per cent, or if you allow us to deduct as well our contractual obligations for career progress, something under two per cent, to face a five per cent plus inflation situation next year.

#### 1610

As far as the province of Ontario is concerned, two items, the employer health tax and the pay equity program, bear directly on this problem and I want to focus on those for a moment.

I do not think there is any question that when the pay equity program was debated in the Legislature a couple of years ago, the inarticulate premise upon which much of the discussion took place was that the additional costs that the employers would have to bear would be passed on over time through the price system into the market. Somehow or other the employers would bear these costs and the working out in the market would see them spread.

Similarly with the employer health tax—I am sure the government, in asking itself how those employers who would be accepting a higher cost would deal with that, must have said, “Eventually it will find its way passed on to the broader market through the pricing system.”

I have to put it to the committee that the universities, almost uniquely in the province, have no flexibility whatever in their so-called pricing. Our price, if you like, is our tuition fee, and that is regulated totally by the government. As you know, the formula grant system functions such that if we were unilaterally to raise our tuition fees, an equivalent dollar would be deducted from the grants. So the effect on the universities is that we can find no other way to deal with these additional costs but within our budget, save some extraordinary steps by the government, which I hope will be recommended by this committee, to deal with the situation.

There was a recognition of the problem last year, in this current fiscal year, when the Treasurer (Mr R. F. Nixon) undertook late in the fiscal year to make an adjustment to take care of 1989-90. Then assurances were given that this problem would be taken into account in the 1991 grants. I am not here to say that the government decided not to take them into account. All I can

give you is the arithmetic. If they are taken into account, then alternatively the allowance for inflation is pathetically low.

I think this committee would be doing us all a favour if it devoted some attention to the problem created for certain kinds of employers by statutory programs that have these kinds of built-in costs. I can think of the hospitals as being in a position like ourselves, but not many other public sector organizations are. The municipalities have their own revenues after all. The school boards have their own revenues. They have to deal with their electorate, but they can set their rates and they can raise their rates. We have no such ability.

In the absence of any elasticity at all, we are faced with a quite ineluctable logical process. We have to look within our own budgets to find that money, and I am here to say to you that that is becoming close to impossible.

Much has been said in recent weeks about the difficulties of meeting rising costs on a declining real revenue base, and I do not want to repeat what I am sure you are familiar with, but I have to say to you that the universities by default have been placed in an almost unique position of being penalized by this legislation in that they must find the source of these costs from within their existing budgets and have no opportunity whatever to reach through their pricing mechanism to recover some or all of those costs from the market.

The province of Manitoba, for interest's sake, has in fact undertaken to compensate its universities for the cost of pay equity. Our bottom line for you today is that we would urge, in the light of the financing for 1990-91, that you recommend that the universities be compensated for the cost of implementing the employer health tax, and we have estimated that at 1.3 per cent of gross compensation, or roughly 1.1 per cent of gross overall budgets.

The second proposal we make to you for this year is to urge upon the government to take some action upon one of the recommendations presented to it by the Ontario Council on University Affairs that there be established some targeted, what are called, excellence funds, as indeed the government did a couple of years ago, directed towards equipment, library acquisitions and faculty renewal. Although I am not going to place a precise number on that, I believe OCUA recommended to the government something in the order of \$43 million as the amount that would begin to make up for many years of underfunding in the infrastructure of the universities.

As to the cost of compensating us for the employer health levy, I would estimate that at around \$20 million.

Finally, looking towards the future, we would urge that the government and urge you to press the government to address the question of university funding on a more long-term basis. I know that governments are reluctant to commit themselves on a multi-year basis, but the fact of the matter is that we have for too long been dealing with university financing on a one-year-at-a-time basis.

The universities this year were able to reach agreement on a proposal to the government that called for a combination of long-term government commitment, to increase the base operating grants to restore their purchasing power to levels closer to those that prevailed in the mid-1970s; to agree as well that over a multi-year period tuition costs or the percentage of the total cost of university education carried by tuition fees might increase modestly, phased in so that no single student would bear more than one year's increase, but that taken together with the government's long-term commitment on grants would succeed in establishing purchasing power for the university-grant dollar something closer to that which obtained 10 or a dozen years ago; that the universities themselves would commit a significant portion of these funds to enhance the student aid programs that currently exist; that the universities would renew their commitment, which has been a very real one, to accessibility, to finding room within the crowded campuses for the increasing number of students who want to come here, and that finally, together with the private sector, we would aggressively look for private dollars.

You may be interested to know that, at a rough estimate, the universities in Ontario today are out on the street for something close to \$350 million of private donations. My own institution is looking for \$20 million, the University of Toronto for \$100 million. There is not a corporate office you call on that has not got a lineup outside it, that has not been approached by universities not only in this province but outside.

I want to leave with you just a small sense of what we are facing in our institutions this year. At Ryerson we are looking at taking seven per cent out of the base budget over a three- to four-year period. The University of Toronto is looking at comparable numbers. I had a look this morning at a story in their own bulletin. I cannot attest to it from personal, first-hand knowledge, but in the bulletin of the University of Toronto



are references to cumulative deficits in the order of \$46 million by 1994. That is with budget trimming programs in place. Other universities that have not authorized me to make public the numbers they are wrestling with privately are looking at cuts anywhere from three to five per cent in this coming year.

**1620**

I want you to appreciate that a seven per cent cut in a base budget is a very difficult thing to bring off. We are talking about structural change, not belt-tightening for a year or two—permanent change—and these budget-cutting exercises are taking place against a background of many years. I have been through three or four of these exercises since I became involved in the administration at Ryerson Polytechnical Institute; this is not the first time. This is not a situation where we are dealing with any kind of flexibility or fat whatever.

In the absence of any alleviation of our financial concern in the coming year, virtually every institution in Ontario will be beginning a process of multi-year deficit management that will result in increased student-faculty ratios, larger classes, less in the way of books and equipment, freezing faculty positions and so on.

I am conscious, as I close, that the notion of university underfunding has not perhaps the same immediate effect on the public as, say, health funding. If somebody cannot get into a coronary care unit, that is big news; we are understandably and rightly concerned about it. At the universities, we are making room, we are managing in the circumstances extremely well. But the long-term effect, although it may not be as sensational news, is as deeply troubling and ought to be as deeply troubling to the legislators of this province as any more sensational news event that takes part in other aspects that come under its domain.

As we look to the future of the province, be it in terms of its ability to compete and thus to raise the revenues to finance its social programs or to employ its people, higher education in the future universities is every bit as fundamental. On that basis, we urge your support for the modest proposals for 1990 that we put before you and your continuing support for a more fundamental address of the longer-term problem of our financing.

**The Chair:** We have a number of questions.

**Ms Hošek:** I am looking at page 3 of your brief, at the last paragraph. That is where you discuss the question of tuition fee policy. I have to say I find what you are saying somewhat

unclear—it is unclear to me; it is probably just fine.

What you are saying there is something about supporting the Queen's proposal. Then, later on, you say that increased tuition fees cannot substitute for basic government support. That is clear, but it is an important source of money. One of the points you have made several times today is you are unique in being an institution that simply cannot control anything about the amount of money coming in because it is entirely regulated. The last thing you say is that Council of Ontario Universities continues to believe that a major review of tuition fee policy is required. I do not understand if that is going in several directions, or I simply do not understand the main point you are trying to make there. What is the view of COU on the whole question of tuition fee increases and how they might be implemented, if indeed you support any of them happening at all?

**Mr Grier:** Essentially, our position is that they should not be addressed in isolation of a package of proposals of which a longer-term government commitment to improve the value of its grant is a major part. Any suggestion that the government should slough over to students the major or total burden of the university problem is unacceptable to us, as I am sure it is to the government. Having said that, therefore through the medium of this proposal, Blueprint for Action, we tried to pull together a rational relationship between government grants and tuition fees, which enjoyed the support of at least some numbers of students.

In the immediate short run and addressing the problem of flexibility, I think all of us would like to have a little bit of manoeuvring room. The government has, on one or two occasions in the past, provided some discretionary room, which was quickly taken up by the exigencies of the existing finance.

We would be comfortable with some modest improvement in our flexibility to address the kinds of sudden changes in our cost structure through an equivalent response on the price side. But our basic position is that fees are only a portion of the overall problem. I do not think any of us would want to be interpreted as asking the government to deal with this question merely by raising fees. I do not think that is going to be a solution. But I think in the context of additional moves by government and some of the assurances that were built into the Blueprint for Action on the student loan side that an increase in tuition fee can be seen in a more comprehensive context.



**Ms Hošek:** My own approach to this would obviously assume a significant increase in the loan structure, but I guess what I am hearing you say is that at this point what you would like is a larger percentage band within which individual institutions could move than the one you have so far been given. Is that correct?

**Mr Grier:** I will have to defer to my colleagues here. I emerge from Ryerson from time to time to take part in these system issues, but I do not enjoy an elective office in the system and I had better ask Grant whether I am walking on to thin ice here.

**Mr Clarke:** I think that would be far to say in the short run, certainly, pending a major review, which we see as needed. There are many issues that need to be addressed in the area of tuition policy. For example, should students in certain programs which have very high earning potential pay much higher fees than others? At the moment, those differentials are very small. There are a lot of things to look at, and the very fact that we feel fees need to be looked at in this broader context means that you would not expect any dramatic move in the short run, if universities were given a bit more individual leeway to deal with their own needs. For the time being, that would be very helpful.

**Mr Jackson:** I have made a habit of listening to your briefs, in each of the last three years, before this committee, and they have each changed a bit. There are some basic themes, but there are some that have changed. I want to focus on page 2 with the accessibility envelope and your comments.

Although I might appreciate that we have had—this is a political question—a difference of interpreting what accessibility means in Ontario in political media terms, it is clear that you have had to understand it in terms of funding terms. You make a very strong statement there that your worst fears were met with respect to how the accessibility fund was in fact going to work, and you have demonstrated it on page 1 in graph form, which I appreciate.

But I would like to ask you where—you talked about cuts, seven per cent over a term—accessibility fits into that in terms of cuts. You already had capital constraint, space constraint, material, capital equipment—you had all these restraints in place—availability of personnel, a primary concern which is very current in the media now. We know historically that in the slowing economic times, university enrolment has a reactionary growth.

What is going to happen to accessibility in the context of your presentation to us today? I know it is a tough question.

**Mr Grier:** Are you asking me whether at some point universities will simply not be able to take any more students?

**Mr Jackson:** We have established that, financially, it punishes you. I am not going to get into a long discussion. I understand the envelope and I understand the penalty system, and I understand where the government drove the frozen peg into the ground. It helps certain universities and it hurts certain universities, depending on where they allow that peg to be driven in.

You are suggesting areas in which there will be restraint. The obvious one is to limit accessibility, if in fact that is where your pressures are. With lower funding, you lose money on every additional student who comes through your doors, over and above a certain rate. That is an oversimplified way of demonstrating how the envelope works.

This is one of the first reports that clearly states that the deal we thought we were getting from the government did not materialize and now we have a deal that penalizes universities for accepting growth in enrolment; in other words, responding to the real demand in the public. That strikes at the heart of the publicly accessible post-secondary educational system in this province.

I have spoken enough. I think you know the areas of my concern. I want to know where accessibility fits into the restraint plans, because we know it has a further financial punishment to extend the access.

1630

**Mr Grier:** The first thing I want to do is underline the extent to which the universities have leaned over backwards to co-operate with the government on the accessibility issue. Despite some misgivings, growing misgivings, for financial reasons universities continue to lean over backwards to make sure that qualified students get in. I think we have seen ourselves as a partner with governments in the province, whatever their stripe, in implementing the so-called Robarts policy that goes back 20 years now, and up to this point that has continued to be the case.

I cannot say whether and to what extent it may be necessary for universities in the near future to abandon their 100 per cent partnership in that. I think if they did they would do it with the greatest reluctance, because I think we all feel a very strong commitment to the kind of accessible

system that has developed in Ontario. But I know from informal discussions with my colleagues that the possibility of having to say, "Enough is enough. We cannot take any more new students. We will have to use the resources we have to deal with a kind of cap," is one which is increasingly being looked at as an option. Up to this point it has not been employed, I think it is fair to say, but it is being looked at as an option.

I cannot speak definitively. In the case of my own institution, in the short run we have no plans to try to bar students at the institutional level. There are obviously limits per program and we have always had to deal with those, but our enrolment growth has been going up steadily.

**Mr Jackson:** Further along in your brief you do talk about putting further strains on the staff-student ratio. You talk about red-circling in a general context and I would assume that that is positions, that is experience-credit movement on a grid for staff. These are substantive matters that do not occur without the system reacting, just as you would expect with the tuition, but there will not be much of a reaction in tuition; the government has pegged it and your range is very narrow in what you can work with that.

As someone who has managed institutions knows from experience where your options really lie, I am finding it hard to see how you can escape that reality. There are program cuts. We already know that has been operative. A final point here is that you said it is beyond general belt-tightening, and I think that is fair because that is an experience you have been going through for the past 15 years in this province, but you are now into the real tough stance of making some very tough decisions which we are going to read about more frequently in the paper and there is going to be a lot of nasty reaction to it. I am pressing you, but I want to get more clarity on this.

**Mr Grier:** I will let Dr DesRosiers respond.

**Mr DesRosiers:** One of the problems that universities face in considering accessibility as an option to address this issue is that the accessibility funds that have been provided are for students who have already been admitted. This is the flow-through of students admitted in 1987 and 1988. Unless you were to seriously constrain first-year intake, and that would be quite a serious constraint, you would not have much impact on the overall numbers that we are talking about here.

The second consideration that universities face is that the Ontario Council on University Affairs is presently working through, at some consider-

able effort, a plan to distribute the accessibility funds, and there is no assurance that if universities constrained accessibility those funds would flow. So it is not clear that there is a solution here in using accessibility to address this problem.

**Mr Morin-Strom:** Last week we had a presentation from the Ontario Confederation of University Faculty Associations. I imagine you probably heard about it. Their concern was much more focused than yours. Yours is the overall financial picture while theirs was very, very heavily focused on what they see as a serious problem in the 1990s with faculty turnover, both with respect to how they are going to replace an ageing faculty, a high percentage of whom will retire during the 1990s, and how they can compete in terms of maintaining the level and quality of faculty with, particularly, private industry as well as the American universities, which they were claiming were certainly more attractive, you might say, in terms of wage levels and so on, and that, in fact, even a lot of the young faculty who are coming in, a lot of the better ones, are being attracted away in the interim from Canadian schools.

Could you comment specifically on the issue of faculty renewal?

**Mr Grier:** We share a lot of the concerns that OCUFA brought to you. We also support the Ontario Council on University Affairs' identification, and its advice to the minister, of faculty renewal as an element in an excellence program that might be ongoing. It is a real problem and it will grow in the 1990s. It is part of the overall problem of managing the universities.

Specifically, a continuation of the faculty renewal program, which is winding its way down, would go some further direction towards resolving the problem identified by Professor Graham, and that is one of the things we are proposing in this brief.

But I want to emphasize that it is by no means the only issue on the table and I am as concerned about the physical infrastructure of the campus, the equipment and the libraries, as I am about the faculty side. We are dealing with a number of related elements.

**Mr Clarke:** I might just add one point to that. In the absence of anything like this happening and with the kinds of budget cuts that Professor Grier was talking about, it is going to go in the other direction. In other words, the faculty-student ratio will continue to worsen.

In the University of Toronto bulletin that Professor Grier referred to, the Dean of the Faculty of Arts and Sciences was quoted as

saying that they would have to cut 75 positions in that one faculty alone over the next five years. That is really such a large part of university costs that if we are going to have to go into multi-year budget cuts of three, four, five, six or seven per cent, that problem is going to in fact get worse in the absence of any relief.

**Mr Morin-Strom:** One of the things we hear from the government a lot about is the desire for a world-class this or that—I guess in this case world-class universities. How are universities stacking up on the world scale and is our relative position improving or deteriorating?

**Mr Grier:** I think “world class” is an overworked term. I do not know how useful it is with respect to pursuing that very far.

**Mr Morin-Strom:** I thought I would throw it out.

**Mr Grier:** There are a number of universities in Canada, and some in Ontario, which in certain disciplines and certain areas can rank up there with any, but of more concern to us is a benchmark nearer at home, maybe in comparison to funding levels in the United States or even on a national level. By any measurement you want to use, for whatever reason—and I recognize all the pressures on government—Ontario has been sliding down the relative scale.

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Mr Jackson was pressing me earlier as to whether the universities would, in effect, limit accessibility and start turning away students as a matter of policy. I want to say how reluctantly we would want to look at that option. We are as committed, and I speak personally, to the notion of accessibility as anybody in government. The bottom line of the financial situation is that universities will be driven to that recourse if nothing intervenes in the next while to turn around the situation, whether you are talking 1990, 1991 or over the next five years.

In the absence of some address of this issue at the strategic level, universities will have no recourse but to fall back upon the kinds of devices that a management anywhere would use or that a group of boards of governors anywhere would employ to keep revenues in line with expenditures. No board of governors is going to approve millions and millions of dollars of deficit. I am sure the government would not be comfortable with that.

So in the absence of something happening, we will have no alternative but to begin along the line that has been alluded to, and all of us would do so with the deepest of regret.

**Mr Daigeler:** In terms of the average university budget, what would be the percentage that goes towards salaries and what has been the general increase, presumably negotiated, on the salary side? We had the Ontario Chamber of Commerce here earlier and it asked us to hold the line very tightly on the public sector, and in the public sector it included universities, schools and everybody else. Can you provide me with some information?

**Mr Grier:** In Ontario, salaries and benefits comprise about 80 per cent of the overall budget and in many universities the employees are unionized. At Ryerson we have four different employee organizations bargaining collectively. That would be true in a number of other universities. There are a few which have not actually got the formal structure of unionism, but I cannot think of any with which the boards do not negotiate collectively.

So there is a lot of pressure every year, I hardly need to say to this committee, that is generated by the dynamics of collective bargaining. It is impossible to reach a freely negotiated settlement short of an increase in the cost of living. If faculties or support staff have in the past felt themselves falling behind, then they will as well press for catch-up.

In some cases you get strikes, as in Laurentian University, resolved in the form of a three-year agreement with salary increases averaging around seven per cent or something like that. At Ryerson our conflict resolution with our faculty is compulsory arbitration. We are scheduled for an arbitration hearing in two or three months' time because we were unable to reach agreement on salary.

It is not realistic to expect in the 1990s, in Ontario, employees who are organized collectively under the framework of Ontario legislation to settle for any ongoing period of time at less than the cost of living. You might be able to get a settlement a few fractions less one year. When all the numbers are out, they will be back at the table the following year asking for a catch-up. Any funding which is predicated on the assumption that universities can manage below some, at least, provincial average cost of living—I do not even speak about the difficulty of functioning in the city of Toronto compared to some others—is unrealistic. That is part of the pressure.

**Mr Daigeler:** At 80 per cent, I am sure it is.

**Mr Grier:** Universities, colleges and schools are labour intensive by definition.

**The Chair:** Thank you, gentlemen, very much for your presentation and for sharing your



concerns with us. I am sure we will take them  
into account when we write our report.

The committee adjourned at 1645.

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**From DRI/McGraw Hill:**

Vasic, George, Director of Economics

**From the Council of Ontario Universities:**

Grier, Terence, President, Ryerson Polytechnical Institute

Clarke, G. Grant, Deputy to the Executive Director

DesRosiers, Edward, Director of Research

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

**Tuesday 23 January 1990**

The committee met at 1002 in room 228.

### PREBUDGET CONSULTATION (continued)

**The Chair:** I would like to call the meeting of the standing committee of finance and economic affairs to order. I am sure there will be other members joining us as the morning progresses. I would like to welcome the group from the Association of Municipalities of Ontario. It is nice to see all the familiar faces and we look forward to your presentation. Mr Hopcroft, I will leave it to you to introduce Mr Eddy and Mr Hipgrave to the committee. I will tell you that we have about 30 minutes for your presentation and questions back from members, so begin whenever you are ready.

### ASSOCIATION OF MUNICIPALITIES OF ONTARIO

**Mr Hopcroft:** Thank you for providing AMO an opportunity to appear before the committee during its prebudget deliberations. On my left is Ron Eddy, who is co-chairman of AMO's fiscal policy committee, the reeve of South Dumfries township and also clerk-administrator for the county of Middlesex. On my right—the committee's left—is David Hipgrave, who is the other co-chair of the fiscal policy committee of AMO. David is the director of corporate planning with the municipality of Metropolitan Toronto.

Our statement this morning will be brief, and hopefully we will leave plenty of time for questions from the committee.

AMO has now been providing input into the budget-making process in this form since this committee began its prebudget deliberations in 1985. We are, of course, always heartened by the presence of provincial politicians who have experience at the municipal level such as yourself, Mr Chairman, Mr Reycraft and others around the table; we know that you have a special understanding of the needs and challenges facing municipalities today.

For those of you whose background is elsewhere, for the record, let me just say that the Association of Municipalities of Ontario acts as the collective voice for over 700 local governments in this province.

This year, our brief is in a slightly different form from previous years. Because we have a lot of important things to say we have provided a detailed written brief for the committee, which I know will receive your full attention. I just want to highlight some of the key points in our brief; that will hopefully permit plenty of time for questions and answers.

Our brief is entitled *A New Decade—A New Partnership*. If you take nothing more away from this meeting than that, I think AMO will have achieved its objective.

I sit before you just 23 days into the new decade of the 1990s. For the last number of years, a worrisome trend has been developing in the way in which the province relates to municipal governments.

I am here today to appeal for a reversal of that trend and to tell you that unless a new partnership is formed, both of us, local and provincial governments, will be compromised in our ability to achieve our number one objective, and that is serving the public of this province.

The facts are straightforward: Provincial programs are being shifted to municipal government, the province continues to underfund existing and new programs through inadequate cost-sharing and it continues to launch new programs without changing the underlying funding relationship.

Last year's budget is a perfect illustration. The employer health levy, the commercial concentration tax, lot levies, conditional grants and a host of other measures had a direct and immediate impact on municipal bottom lines. While we face the same cost pressures as the province did, we were suddenly hit with revenue requirements over which we had no control. The same point can be made about numerous other provincial initiatives: social assistance reform, environmental programs, pay equity, health and safety, court security and the housing policy statement.

Let me be clear: We applaud the activist agenda of the provincial government. However, we condemn the government for putting the cost of that agenda on the backs of municipal taxpayers.

In our brief, we have made a number of recommendations that will put some fairness and justice back into funding for new programs.

More important, we have made some recommendations on confronting the future; on forging a new partnership for the 1990s.

The need for a new partnership is something the people are demanding. A public opinion survey commissioned by AMO concludes that people are most satisfied with the municipal level of government, that they oppose the current trend towards shifting responsibilities to municipalities and that they want your government and our governments to get along better.

Our members too are angered and disheartened by the provincial trend towards shifting responsibility. I wish you could have attended a special emergency meeting last March—unprecedented in AMO's history—where that anger flared.

So to the future: We must form a new partnership based on open and honest communication. AMO must be consulted before new programs are introduced so that discussions on funding can take place in an atmosphere of give and take, not take it and pay.

Internally, the province must also come to grips with its responsibilities in this important partnership. No program should go forward to cabinet or Management Board until public servants have asked the questions: How much will this cost municipal governments and where will they get the money?

This budget offers the government the opportunity of saying, "Things will be different." AMO respectfully submits that our collective ability to provide leadership depends on a new partnership for the 1990s.

I would like to thank the committee again for its time and attention and for the thought that it will give to our more detailed brief. I hope we will now be able to answer your questions and I look forward to your comments. I hope too that the government and the Treasurer (Mr R. F. Nixon) gives the same degree of attention to your recommendations that you have given to ours.

**1010**

**Mr Daigeler:** Thank you very much for putting some new points forward that certainly I have heard before as well in my own community of Nepean. I have some difficulty with the basic premise, though, that you are putting forward. I refer to your comments here where you say, "We applaud the activist agenda of the provincial government," and "we condemn the government for putting the cost of that agenda on the backs of municipal taxpayers."

First of all, I think that the financing arrangements are such that usually the municipality

would pick up between 20 per cent and 30 per cent of the cost depending upon what the program is. Usually the province is the one that picks up at least 70 per cent, if not more, of those costs. To say, therefore, that the cost of new initiatives is put on the backs of the municipal taxpayers, I think, is a bit exaggerated.

Second, and more important, I do not think that on the one hand you can ask for action—and where you say, "We applaud the activist agenda"—and not expect to be part of the inevitable cost that these programs bring with them. For example, on the social assistance reforms, my municipality and others in the Ottawa area now say, "Well, this costs us extra money." Fortunately, and I certainly agreed with them, they were very supportive of the initiatives that this government has introduced, and we were very proud of it. But obviously there is a cost associated with it, and to now say all of a sudden, "Well, the province should pay for it all out of its own resources," I do not think is quite fair. So, as I have said to my own mayor, the demands and the requests for services are coming from the same taxpayers you and I serve, and it is a question of collectively and together sharing those costs of which the province always has assumed a much greater share than the municipal level.

**Mr Hopcroft:** I would be happy to respond to those comments and questions. On your first point about our assessment that the costs are being exaggerated from the municipal point of view, there are many programs that have been thrust upon us lately where, in fact, all or the lion's share of the costs have been passed to municipal governments, such as the court security bill. That is just one example.

Of course, you referred to some of the cost-shared programs, such as general welfare assistance, where in fact the province is putting in 30 per cent; the municipalities are putting in 20 per cent. When you look at it in those terms, putting aside the 50 per cent that the federal government contributes, we are putting in almost as substantial a contribution as the provincial government.

You say that it is all the same taxpayer. I would point out that the Social Assistance Review Committee recommended changes to the cost-sharing formula that have not yet been implemented and we hope will be, in terms of the province picking up more of the income redistribution portion of that program.

Second, I think the same taxpayers may be paying the taxes, but they are paying in different

proportions. The property tax is much more regressive than the income tax and the other tax sources that the province has at its disposal. So while the same taxpayers might be footing the bill, the impact is substantially different, depending on which level of government they are paying them to.

We are not consulted on a number of these programs. We think we should be, and we are prepared to forge a new partnership with the province. As you know, Mr Reycraft and myself are both on the advisory committee to the Minister of Municipal Affairs (Mr Sweeney). We have been reviewing a number of programs, and hopefully we will be able to make some recommendations that the province will see fit to implement in terms of a new financial relationship.

**Mr McCague:** Thank you for your brief today. It is brief, and I think that it probably bears printing in our report that comes out. You can throw sticks and stones at the government or previous governments or whatever you may want to do, but this does make abundant sense. There is nothing in here that should raise the ire of a government member. You applaud them on the one hand for some innovative things. "Activist" is an interesting word; one we do not like to use around here too often. I never really classed the government of the day as activist, but you have, so that is fine.

**The Chair:** Very perceptive.

**Mr McCague:** Yes. I think that if we could just print this and get some more advertising for the point that the association is making, it would be very valuable. I applaud you for your brevity and content.

**Mr Faubert:** Thank you for the brief. I agree with what Mr McCague said in one sense. I think the brief is good; I think the proposals put forward are good. Some of the things you have said here have been said not only in caucus but I think at other times when we have discussed taxes.

I am looking at the commercial concentration tax, and I just wonder whether AMO is looking at that in terms of (a) its direct impact on Metropolitan Toronto and (b) doing any kind of cost-benefit relationship. In other words, are you actually going to get the dollars back into the infrastructure that are promised by the provincial government?

**Mr Hipgrave:** If I may be able to address that, the AMO position on the commercial concentration tax has been that it represents somewhat of

an incursion into the heretofore property tax base at the municipal level. I believe on a general plane it raises those kinds of questions as to why the province is intruding on a tax base that heretofore has been a municipal purview. That has been the general thrust of the feelings with regard to the commercial concentration tax.

**Mr Faubert:** Mr Hipgrave gave the analysis of this but, Grant, you stated quite correctly that taxes raised on realty are much more regressive than taxes raised through other sources, including income taxes, and that is the objection that you are putting forward. I think that is the statement that you have to continually make, because when you are passing off costs it is more costly to the taxpayer to pay for them through realty taxation than through other forms. Is that the position that you are taking?

**Mr Hipgrave:** I think the point that was made was that the property tax tends to be a more regressive tax in general than, say, an income tax, which is usually considered to be progressive. Again, on that level, there is an objection to an added burden on the property taxpayer through the commercial concentration tax.

I think that on the other question that is being raised in terms of where the revenues go for the commercial concentration tax, it has been stated on occasion that those will be focused within the greater Toronto area. I suppose there is that assurance, but they have not specifically been earmarked for specific projects within the GTA, at least to our knowledge and from what we have seen so far.

**Mr Faubert:** But I take it you are looking for that. Somewhere down the line—

**Mr Hipgrave:** Yes, I would say so.

**Mr Faubert:** —you are looking at some analysis of the direct costs—

**Mr Hipgrave:** The direct linkage between the revenues and the expenditures within the GTA.

**Mr Faubert:** Right.

**Mr Morin-Strom:** Mr Faubert just brought up the point that the property tax is not as progressive a tax certainly as some other alternatives might be. Has AMO seriously considered advocating a new source of tax revenue, such as potentially having a share of income taxes?

**Mr Hipgrave:** Through the advisory task force to the Minister of Municipal Affairs, which the president had previously mentioned, we have begun to look at those alternatives to strictly a property tax as a source of revenue for municipal government. We have had some preliminary



discussions on some of those things that I believe we will be getting into: such things as revenue-sharing programs or guarantees that may be enshrined in legislation such as exists in British Columbia and other provinces in Canada, and indeed may be more directly associated with an income tax base as well.

I think the whole thrust of the feeling at the municipal level is that relying solely on the property tax base and on transfer payments, such as they are, from the provincial government does not provide a widened revenue base for municipalities, which is what we are seeking through either opening up the legislation or some other forms of agreements with the provincial government. I guess, in short, the answer to your question is yes.

**Mr Morin-Strom:** That would seem to be a good direction to move in. There are some communities in the United States, I believe, that have municipal income taxes. I do not believe there are any in Canada. I am not aware of it, but when you suggest that there is something going on in British Columbia, what were you referring to there?

**Mr Hipgrave:** You are quite correct, there are no direct municipal income taxes in Canada or in any province in Canada. But there are revenue-sharing agreements whereby municipalities are guaranteed a certain percentage of the corporate or individual income tax returns of the provincial governments and they are stated and spelled out in legislation. Those are the types of things that we are talking about when we talk about revenue-sharing agreements.

1020

**Mr Morin-Strom:** One other source of tax revenue that was enshrined in law during this last year that I do not think you commented on directly was the area of lot levies, again a property-tax-base option. Is AMO split on that? I do not see any response directly to that here, or maybe I missed it; I do not know. What is your position on lot levies?

**Mr Hopcroft:** We made reference to it in the main brief. AMO has two views on the bill as it stands. As far as the municipal lot levies are concerned, I think we are quite pleased with the legislation as it was finally passed by the House, except for the education levy portion of the bill. To reiterate our position on that, that should not have been part of the bill; that was being used by the province to cut back the proportions of funding to school boards and to pass that along to what had been a municipal tax source, which

were lot levies that had been used by many of our municipal members even before the bill was passed.

While we applaud the government in terms of the bill as it applied to municipal lot levies, we really felt that the education portion was an incursion into what had become a municipal tool for raising money to pay for development.

**Mr Morin-Strom:** My real concern there was not what your position was when the bill was going through. At this point the bill is through. What do you see the impact being in terms of municipalities using it as an increasing source of revenue? Are you happy with the levels you were already at, or because education is now going to take a share, do you see reduced usage because of pressures on municipalities in terms of trying to get housing in place? What do you see happening out there?

**Mr Hopcroft:** I think it will be helpful to have some experience under our belts as far as the long term goes, but my feeling from municipalities I have talked to is that levies will increase across the province. A number of municipalities were waiting for the legislation before they reviewed their development charges. I think that with the increasing pressure to pay for growth at the local level because of funding and transfer inadequacies, municipalities will be faced with turning more to development charges to raise those moneys.

As to the impact that the education levy is going to have, it is very difficult to say. I think in some municipalities there might be a tendency, if the education levy is quite high, to cut back on the municipal portion in the interests of affordable housing, economic development, etc, but to what extent that will be a factor in actual practice I think only experience can tell.

**Mr Reycraft:** I want to ask a couple of questions about the growing demand for new water and sewer services across the province and for improvements to existing services. Municipalities, certainly in the case of smaller municipalities, have traditionally taken the approach that the province has to subsidize those services. As a municipal politician I was part of the lobby trying to get enhancements to those supports, but I think we have to accept the fact that the demand is going to continue to grow faster than the Ministry of the Environment's budget for water and sewer projects all over Ontario.

Do you have any advice for us and for the Treasurer on changes that could be implemented in the financing of those projects so that they

could be delivered faster than I think they are otherwise going to be?

**Mr Eddy:** Yes. It is certainly true that it is becoming a very, very important service, and water supply especially. Well, I guess both of them, but I believe we are certainly going to see across the province a great movement towards area-wide water supply systems, and it is going to be essential; it is at the present time.

Municipalities agree on a user fee for water supply. I do not think there is much doubt about that, but it is the tremendous financing costs and initial costs of installing the plant. I would think that what should be done is to use the previous system where the ministry would install and pay for large systems and then amortize that cost to a municipality or a number of municipalities over a period of years on a basis on which the users and the municipalities could pay. I think that is the only way to do it because of the tremendous costs.

**Mr Reycraft:** In that scenario really, then, the province is just acting as the guarantor, I guess, of the financing of the project. Is there any—

**Mr Eddy:** But more than that, really, to the extent of actually designing or having the system designed and installing it ready for use.

**Mr Reycraft:** Is there any significant difference between that solution to the problem and one where municipalities were just allowed to increase their debt greater than current Ontario Municipal Board guidelines permit?

**Mr Eddy:** That is a real problem, because many of the municipalities are small and a large debt burden just means that they have to forgo other important programs. They have to make choices, and I think that is one of the things that really concerned me about the general welfare assistance program, because where you have a major industry or a series of industries leaves a municipality, it means that the burden for GWA becomes so great that you have to forgo many other programs that should be carried on or accelerated in order to shift that money. There is a limit, I believe, to which you can impose on property tax to cover those costs, and I see the same thing with major services. I think we will see the trend to area-wide or upper-tier services in the counties as we have it in the regions, but even there the financing costs would be, I believe, much too burdensome.

**Mr Hipgrave:** I think it would be a very dangerous situation were municipalities allowed to begin borrowing beyond what, say, their current debt-to-service ratios result in. Municip-

alities, over the last 15 years, have put themselves in a better financial position by adopting sound management policies such as pay-as-you-go or capital from current expenditures. That has been a hard and painful exercise for many municipalities, and of course some have been successful in using development charges as well in order to offset the capital infrastructure charges too. But I think that suggesting opening up debt or allowing municipalities to be borrowing more would begin to put municipalities back into a position that they struggled so hard to get out of over the last 10 to 15 years by adopting these sound management policies that they have.

**Mr Reycraft:** I was not suggesting that it should be a blanket increase in debt capacity that would apply to all projects. It seems to me that there is a difference between debt that is financed from user charges, as is the case with most water and sewer projects, and debt that is incurred to build a new arena or a new city hall or buy a limousine for aldermen or whatever.

**Mr Hipgrave:** Provided there is the capacity within the system to pay for it.

**1030**

**The Chair:** As a little, short supplementary—and I will be a good chairman and stay out of this as much as I can, as difficult as it is—what do you do about situations that exist where you have, for example, in the water and sewer side of things, multimillion-dollar rate stabilization funds in a number of areas in the province and yet you are looking for more money for infrastructure, whether it is related to the municipal-industrial strategy for abatement or other areas? If you are really forging a new partnership, should not those kinds of things be looked at?

**Mr Hipgrave:** I think there are reserves and reserve funds that have been earmarked specifically for capital projects, and those should be identified. I guess what I was getting at was the notion that, for example, OMB guidelines should be raised such that there is a debt capacity in the municipal sector that has heretofore been untapped, and that the parameters of the game should be opened up. I do not think anybody would argue that where reserves and reserve funds have been set aside for specific projects they should not be used.

**Mr McLean:** My three questions are down to one; a couple have been asked and have been answered.

**The Chair:** That is good.

**Mr McLean:** But I want to go back to the one where the Treasurer wants to pay as you go and allow the municipalities to borrow. You have answered that in your last remarks.

Waste management is a major problem in Ontario, and you have not mentioned in your brief very much about it. I would like to know if you feel that it is a regional problem, or where the leadership should be coming from to try to solve that problem. There are a lot of hearings that are being held with regard to waste management. I know that in Simcoe county today they are looking at Bill 201 to take over waste management. What authority, though, do the local municipalities have when the Ministry of the Environment has the final say?

**Mr Hopcroft:** That is a very difficult question to answer within the time that we have here today. AMO has released a number of papers on waste management issues over the last few months, and we plan to release more. We see the waste management problem as it stands now not as a local problem but as a problem that needs to be addressed on a provincial scale. We recognize that municipalities traditionally have responsibility for picking up and disposing of waste, but if the problem will truly be dealt with in a way that is going to benefit everyone in the province and future generations, there has to be some provincial leadership in the area of regulation, in the area of management, in the area of regulations on containers and the material going into the waste stream.

We have a number of differences of opinion with the Ministry of the Environment at the present time as to whether, for instance, there are three Rs or four Rs in terms of the blueprint for waste management, and we will be meeting with Mr Bradley, I think, in a couple of weeks' time to explore some of our concerns on those issues. But we really think that waste management has become such a massive problem we require all levels of government to address the problem in terms of the solutions that we are going to need to find.

**Mr McLean:** I agree with you. The last comment I wanted to make was that you are indicating a new decade and a new partnership. I presume you will probably be waiting until after the next election for that new partnership, will you?

**The Chair:** Mr Haggerty, do you have a question after that?

**Mr Haggerty:** There are probably two concerns that I have and share with some of the committee members and with the panel before us

today. I am looking at page 4 of your brief to us. It talks about additional measures: "The following changes in the 1989 budget will also negatively impact the bottom lines of municipalities: two per cent increase in gasoline tax, one per cent increase in diesel fuel tax," and of course the tire tax. Can you expand on that a little more? What do you mean by a negative impact? That you are not getting your fair share?

**Mr Hopcroft:** The negative impact is that these budgetary measures will increase municipal costs, as have a number of other provincial initiatives and provincial changes over the past year. We are simply saying that there should be some recognition of those changes in terms of transfers to municipalities so that the provincial taxpayer is not benefiting at the expense of the municipal taxpayer. I think that is all we are saying.

**Mr Haggerty:** I was interpreting that you wanted a larger share when they increased the fuel tax—that you have got to maintain the roads within the municipality and so on.

**Mr Hopcroft:** What we are saying is that we need a larger share of provincial transfer moneys if we are to do the job that the province obviously wants us to do in terms of the responsibilities that it is transferring to us.

**The Chair:** Thank you very much. I—were you not finished?

**Mr Hopcroft:** I think there has to be a recognition that the provincial government, if it wishes us to adopt more responsibilities, has to give us the revenue to do that, and we are saying that the municipal property tax base cannot do it on its own.

**The Chair:** It was not you I was attempting to cut off; it was the member.

**Mr Haggerty:** I sensed that.

**The Chair:** Unfortunately, we are out of time. We do have a very busy schedule today. I want to thank you very much for your brief. I would agree, actually, with Mr McCague's comments earlier. I think it is a very positive brief. That makes me nervous, that I agree with those comments—not really, George.

**Mr Hopcroft:** Remember your roots.

**The Chair:** I do remember my roots and I thank you for your very positive comments this morning.

We have a group we have invited. They have accepted our invitation. We appreciate that. From the Bank of Nova Scotia, we have Warren



Jestin, vice-president and chief economist, and Philip Howell, senior economist-manager.

Welcome this morning and thank you very much for taking time out of your schedule to come and talk to us today. We have set aside about 30 minutes for your presentation to us and questions back from members and would like, if possible, to stay within that time frame. I would appreciate it if you would begin whenever you are ready and, for the purpose of Hansard, identify yourself as the speaker before you go.

#### BANK OF NOVA SCOTIA

**Mr Jestin:** My name is Warren Jestin, vice-president and chief economist of the Bank of Nova Scotia.

We have brought along with us three documents in a handout brochure: a copy of our economic forecast for 1990 entitled *Global Economic Outlook-1990*; *Canadian Government Finances-Major Challenges in the 1990s*, a presentation that I gave to the Municipal Treasurers Association of the United States and Canada last August, and I might point out that this document tries to look at Canadian government finances in a consolidated basis, looking at the federal government, provincial governments and the municipalities, and finally there is a brief overview of the remarks that I will be giving today, entitled *Ontario's Fiscal Challenge*.

What I hope to do today is to go through this very briefly and then open it up for questions because I think that is probably the most fruitful way of approaching our presentation.

I would like to make a few key points about our economic forecast that I think are particularly relevant: In general, our forecast is less optimistic than the *Ontario Economic Outlook and Fiscal Review* that was prepared in November. In part, that simply reflects the fact that the events between the preparation of that forecast and where we are right now have shown a fairly marked weakening of the provincial economy.

I think you will find in talking to economic forecasters that the situation has changed, at least in terms of the provincial forecasts, quite considerably since the fall.

In our view, the Ontario economy is slowing rather sharply along a broad front. That does not mean that we are seeing a marked downturn in the Ontario economy. What we think is occurring is that growth is levelling off after a period of very robust expansion.

We would expect that the first half of this year would be a particularly soft period for the economy. In part, it is difficult to see because

activity in general is at a very high level. Construction in downtown Toronto, for example, is at a very high level. The unemployment rate is still quite low by historic standards and also by the standards of almost any other place in North America, yet the momentum is clearly dissipating.

You can see it in a number of areas. You can see it in the auto industry and that has implications for the steel industry. But, by and large, there is a broad array of evidence that suggests a slowdown is under way.

The reasons for the slowdown are, I think, worth briefly pointing out. The reason why the economy has slowed so sharply, in our view, is that there has been a wide variety of events occurring almost simultaneously that have caused this slowdown. For example, the Canadian dollar moving up to the 85-cent level, and as recently as a couple of weeks ago above 86 cents, has had a big negative impact on export earnings for producers of resource-based and manufactured products. Lower commodity prices and the reversal in auto sales are aggravating the slowdown and intensifying pressure on profits and margins.

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In our view, North American auto sales are expected to climb by more than four per cent in 1990, and that has a particularly large impact on the local economy.

More fundamentally, given that we export roughly a third of what is produced in this country and Ontario is intimately linked into the United States market, the fact that the US expansion has begun to run out of steam has a negative influence on export prospects.

How has this impacted? I have already mentioned the auto industry, but if you look at information on retail sales, for example, there has been a significant slowdown. I would imagine that when we see the data for Christmas-time and into January and February, we are actually going to be doing, at best, flat volumes on retail sales; in other words, just allowing for inflation in terms of year-over-year growth.

The manufacturing sector in general is showing a fairly substantial slowing in shipments but more fundamentally, in looking at the outlook, order backlogs have begun to decline and inventories have begun to rise. That points to a further slowdown in the months ahead. In general terms, employment in the manufacturing sector has declined by about 9,000 over the past year.

So there is a broad variety of evidence confirming that the slowdown has occurred. The question is, where do we go from here in 1990? Again, if you look at the prospects in certain key industries, they suggest that at best we are going to have marginal growth this year. Our forecast is for less than one per cent growth in Ontario, which is a substantial slowdown from last year.

Construction, which has been an important engine of the expansion in recent years, is beginning to level off. In our view, given the high interest rates, the effects of the dollar and the evidence across the country that economic activity is slowing, business activity is going to be much more cautious in the year ahead and perhaps into 1991. To us, that spells a levelling out of investment in Canada and in Ontario. Rising office and commercial vacancy rates will also have a dampening impact on new initiatives.

One of the areas that has been important in the economy in terms of level of activity, of course, has been housing construction. We have already seen a significant falloff over the past couple of years, but we expect that housing starts will drop significantly again in 1990 to around 78,000 units from about 93,000 units in 1989. In our view, the weakness will be in the single-family construction area. We believe that multiples will receive some support from socially assisted housing construction.

An area that is of particular concern has been the Toronto housing market because of the very rapid runup and then the levelling off that has occurred since last March, at least in terms of house prices. If you look at the Toronto region's multiple listing service data, one thing that is very striking is that although the housing prices have not gone down significantly, there has been an extraordinary runup in active listings on the market. In our view, in the type of economic scenario that I am sketching, there may be some reversal in that market in the months ahead, and this by itself, in my view, will act to dampen consumer and investor confidence further.

The comments I have made so far clearly point to a levelling out of economic activity. There are a number of very positive factors as well and, in essence, we believe that the economy is going to continue to operate at a very high level.

High international immigration into Canada—and a lot of it destined for Ontario—will undoubtedly provide important support for the province. However, there is one trend that I think is cause for worry and it is becoming increasingly evident in the data that are released; that is, the migration from other provinces that has been a

major impetus to growth in Ontario during the period 1985 to 1987 has reversed.

Between 1985 and 1987, roughly 40,000 Canadians moved to Ontario from other provinces. That is small city relocating to Ontario every year. In 1988 that dropped to roughly 11,000, and last year it appears that in aggregate there was a net outflow from Ontario. That is reflective of the escalating cost of living in the province and doing business in the province.

These statistics, I think, are very fundamental because they are suggesting that the impetus to activity in Ontario, which has been so strong through the 1980s, is beginning to dissipate. It points to the fact that I think we have to keep the cost structure in Ontario under control if we are going to maintain our economic prosperity through the 1990s.

What are the implications for fiscal policy and government finance? By itself, the economic slowdown in Ontario will put substantial pressure on finance because of the slowdown in revenues that occurs and because of the increased expenditures that occur as the unemployment rate begins to creep up. In recent years the government has relied on one of the longest and strongest expansions in history to reduce the deficit and increase social spending and capital spending. Over the past five years tax revenues have increased at an average annual rate of roughly 15 per cent. In my view, these double-digit gains are unlikely to continue into the next few years. Putting it quite simply, I believe that the revenue stream is going to slow very markedly into the 1990s, so a more cautious spending attitude is definitely warranted.

It is important to note that even if the economy had remained robust the pressure on government finances would have increased over time. Why? First of all, because of Ottawa's decision to squeeze provincial transfers and cut back in general. That is going to trickle down to junior levels of government. More fundamentally, there is an enormous upcoming spending requirement in key areas: health care, environmental protection, and the need to upgrade an ageing infrastructure. I was noting just as I came in the comments at the end of the testimony on the municipal spending requirements. The infrastructural requirements there are extraordinary, and in my view the requirements are going to be growing at double-digit rates for quite some time.

In reading the November Ontario Economic Outlook and Fiscal Review I was struck by the tone of the document. It suggested to me that the

general tax-and-spend type of philosophy remains very much intact. Even there, however, if you look at some of the numbers there is cause for concern. Because of the slowing in the economy there is a projection that if fiscal policy remains unchanged, Ontario's deficit is going to grow from just over \$500 million to roughly \$2.5 billion in 1992. If our forecast comes true and in fact economic growth remains relatively weak in 1991 as well, then these deficits could be much higher. The implication that I take out of the November review is that taxes will have to rise substantially over this period simply to contain the deficit.

Looking at it on a broader spectrum, I think that other levels of government increasingly will be forced to compete for tax room as growth slows. I would expect next month's federal budget, in order to contain the deficit around \$30 billion, to take major initiatives, both on the tax and the spending side. Municipalities will come under increasing pressure as the deficit reduction initiatives trickle down from senior governments. The net result, in my view, and the net danger I think, is that the government-related cost of doing business in Ontario is going to increase rather sharply in the years ahead.

There is a danger in this particular outlook, and the danger is that Ontario is increasingly becoming a high-cost place to do business. It is not only the cost of the government sector that is increasing fairly significantly. Wage settlements in Ontario are running much higher than in most other provinces with the exception of British Columbia, and they are running at roughly twice the rate of those in the United States. With tight labour markets and with tax increases coming along, I see this impetus to a higher-cost environment continuing. It is certainly cause for concern in a freer trade environment with the United States.

Ultimately I think that whether Ontario benefits from the free trade agreement or otherwise largely hinges on whether we can keep our costs in line with our competitors south of the border. There has been a lot of call for a lower Canadian dollar, but a lower Canadian dollar is only a temporary fix to the problem, since the competitive benefits gained are gradually eroded as the cost of business continues to rise. More important, I think there will be a tolerance limit in Congress if the Canadian dollar once again embarks on a chronic period of depreciation to offset domestic inflation problems.

My more specific comments on the outlook for the fiscal situation in Ontario are outlined in the brief. I can summarize them very quickly. I think that to ensure continued prosperity in Ontario, we not only have to keep the private sector cost structure under control but the government cost structure as well. As I mentioned earlier, given the large requirements that are coming up in the areas of health care, the environment and infrastructure, I think there has to be a very hard look at existing programs and that, if we are going to increase spending in certain key areas that I have outlined, spending cuts in other areas must occur.

If not, I think we face a problem of diminished economic potential, because attempts to pay for new programs and offset a softer revenue trend through tax increases will be self-defeating, simply because it will encourage the relocation of economic activity outside provincial borders.

Increased borrowing, in my view, is not the answer to supporting existing programs and enhancing other programs. I think Ottawa's debt trap is a clear reminder of the need for a very cautious borrowing strategy. By using borrowed money to fund chronic overspending, the federal government has lost its fiscal flexibility to deal with periods of weak growth and has become highly vulnerable to adverse interest rate developments.

Just as an illustration, if the forecast on interest that the federal government gave last year does not materialize, the deficit in Ottawa will be approximately \$3 billion higher in the upcoming fiscal year. That is an enormous impact, based on interest rates alone. The government is clearly being held hostage to economic and interest rate advance. It has lost flexibility to take a proactive fiscal policy.

There is a temptation to let fiscal constraints trickle down to lower levels of government and, in the last budget, the Ontario budget contains statements suggesting that the municipalities could borrow more in order to finance their capital projects. The shifting of fiscal responsibilities between government levels changes the optics but not the fundamentals of the fiscal problem. Moreover, in my view, local governments will face stiff resistance to higher property taxes, their main revenue source, needed to service higher debt loads.

While rationalizing existing programs is the cornerstone of financing new requirements, consumers must be educated in the true costs of services provided. Wherever possible, the government should move towards a user-pay



approach. Unless this is done, it will be very difficult to gain public acceptance of the need for fiscal reform. At the most fundamental level, controlling public spending requires grass-roots support.

**Mr Morin-Strom:** On your last page I was concerned about a statement: "Moreover, there may well be a low tolerance limit in Congress if the Canadian currency once again gets locked..." etc. You seem to be suggesting we are heading for Panama or something and they are going to come in here. What do you mean by a lower tolerance level in Congress?

**Mr Jestin:** If you remember the period of time that existed between roughly 1976 and the middle of the 1980s when the Canadian dollar could be forecast using virtually a ruler on a downward slope, I do not think that sort of exchange rate performance could be expected through the 1990s because, if the Canadian dollar were to continually go down on a year-on-year basis, I think the authorities in Washington would become suspicious that the dollar was being used as a wedge to gain competitive advantage in the US market. I happened to work for the Bank of Canada during the 1970s and certainly the Canadian dollar was not going down for that particular reason. The Bank of Canada was doing its utmost to stabilize the currency during that period of time.

But I believe we will not have the degree of flexibility that we saw in the currency during the 1970s and early 1980s; we will not have that option available to us to offset this inflation problem that we have in the provincial economy and the domestic economy in general.

**Mr Morin-Strom:** You are not answering the question. What is it the United States is going to do if our dollar starts dropping on an ongoing basis?

**Mr Jestin:** I think they will be increasingly suspicious about what is driving the currency and, as a result, that may lead to trade friction within the Canada-US free trade agreement.

**Mr Morin-Strom:** They might cancel the deal?

**Mr Jestin:** That would be speculation. However, if you look at what has occurred over the last year, certainly we have a large number of disputes occurring within the framework of the Canada-US free trade agreement. There has been a lot of room for those types of disputes to occur. What I am saying is: The deal requires goodwill on both sides of the border and there may be less goodwill on the US side of the border if the

currency continues to go down. More fundamentally, I think the economic integration of the two economies, by itself, may lead to a more stable currency over time.

**Mr McCague:** Now you have wound us up by saying that controlling public spending requires grass-roots support. How do you get that?

**Mr Jestin:** That is one of the key tricks, I think, of the 1980s, obviously. If I could switch it to a federal context: As an example, last year I think there was a shift in the federal budget relative to previous budgets, in the sense that there was a much tougher line taken in communicating the fiscal problems that existed. Before that time, if you dig out the budgets that occurred from 1985 through 1988 you will notice statements that things are generally under control and we just have to make a few adjustments here or there. Last year's statement was a lot harder. But I think the general statement made that perhaps we could use more user-cost policies may be at least illuminating to people in terms of the relative costs of government services.

**Mr McCague:** It is a difficult issue.

**Mr Jestin:** It certainly is.

**Mr Daigeler:** I must say, I like Mr McCague's line of questioning, because I have to agree with the difficulty in this, although I also happen to agree with your point that perhaps, more and more, we have to rely on the user paying a certain share. Certainly, in our area, we are doing that with the water rates. The Ottawa-Carleton region has been quite successful, I think, in making the consumers aware that there is a tremendous cost associated with profligate use of water, and the resultant tax increase has been quite well accepted. Not everybody likes it, obviously.

You seem to be quite a bit more negative in your forecasting than the other forecasters who have come before us. The other ones seem to be almost more optimistic than the government. I am just wondering why you seem to be quite a bit more pessimistic in your projection.

**Mr Jestin:** Depending on how you look at the numbers, there is quite a bit of optimism built into this forecast, because we have had one of the longest, strongest expansions in Ontario history. To suggest that we are not only going to maintain these gains but perhaps have marginal growth this year is indeed, I think, an optimistic forecast. I think you will find, over the next two to three months, that economic forecasts for Ontario will be scaled down, and I would not be surprised if the Ontario government's forecast were cut significantly from the two per cent level. That is

speculation on my part, but I would expect it to occur, because the recent trends of economic events, and I am talking up until the December employment numbers, for example, have unambiguously showed a marked slowing of activity.

If I might expand that comment, most of the focus here is on 1990, and a lot of the forecasts you would see are on 1990. Beyond 1990, I think there is a worry and that goes back to my comment about Ontario gradually becoming a higher-cost place of doing business, both in the private sector side and with tax increases coming through.

The interprovincial migration data suggest that people, on balance, are voting with their feet to avoid Ontario. We saw a marginal outflow last year, after an enormous inflow. That, I think, spells long-term problems for the economy unless we can maintain our competitive edge. So I do not think our forecast is all that pessimistic, given the conditions in Ontario's principal markets and what is happening in the automobile industry and commodity prices and the like. I think it is a relatively favourable performance. Nevertheless, there are clear dangers on the horizon.

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**Mr Morin-Strom:** One other point you made had to do with rethinking current programs, and you used the example of health care costs. Some industries have indicated that health care costs are a competitive advantage in Ontario vis-à-vis the United States. What is your assessment of the Canadian health care cost system as provided, strictly to the government approach versus the private sector approach in the United States?

**Mr Jestin:** The health care system in Canada is one of the key benefits of being a Canadian. We have a very, very good system in Canada. My comments there are more looking at the exploding cost of health care. If you go back 10 years, health care accounted for about 28 per cent of spending. It is up to about one third right now. I think you will find estimates pushing it a lot higher than a third within five to 10 years' time. So there must be some way of at least dampening the escalating trend in those costs—providing alternative types of services and thinking of more efficient ways to spend that existing basket of funds. I think that was the key in my comments there. That is a major, major area of expense.

I addressed a group of health care executives from across Canada in the spring last year, and one of the things that struck me more than anything else about their comments of where trends in health care were going in the 1990s was

that they were expecting double-digit increases year in and year out in the cost of health care. A slower-growth environment with a revenue squeeze suggests to me that you either have to trim dramatically in other areas or find more efficient ways of providing the same service.

**The Chair:** Thank you very much. We really do appreciate your taking the time to come to talk to us and present this information. It has been most helpful.

Our next group of presenters is from the Ontario Secondary School Teachers' Federation: Doris St Amand, vice-president; James Livermore, executive officer; John McEwen, chairperson of the finance committee, and the legislative researcher, Larry French.

If there are any others, perhaps you can introduce them. Welcome. Thanks for coming today. We have set aside about 30 minutes for your presentation and for questions and would appreciate it if you could stay within those confines. You are welcome to start whenever you are ready.

#### ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION

**Ms St Amand:** We do have one additional person with us today: Ron Harris from the OSSTF staff in the area. Just for Hansard, I would like to introduce those who are here to participate in this presentation. On my left is John McEwen, the chairperson of the educational finance committee for OSSTF. On my right is Jim Livermore, who is executive officer on the provincial executive of OSSTF.

On behalf of the 40,000 members of the Ontario Secondary School Teachers' Federation, I would like to thank you for this opportunity to appear before you and to participate in the prebudget consultation process.

Statements made by the Premier (Mr Peterson) place education at the forefront of the government's priorities. The most recent example was the Premier's opening address to the Spheres of Influence forum on 14 January 1990. We agree with his message, namely, that the future competitiveness and wellbeing of Ontario are linked to the strength of our public education system. However, there is a clear conflict between the practices of the Ontario government and this stated policy.

A comparison between Ontario's investment in education and that of its neighbours and competitors shows that the government of Ontario has not made the investment in education

that full implementation of its own stated policy would require.

The OSSTF shows in this brief five indicators to make clear the results of this comparison. The first of these is tax effort. On page 3 of the brief, figure 1 indicates that Ontarians dedicate less of their personal income to the funding of education than any other group of Canadians except those in British Columbia.

On page 4, the second comparative indicator that we used is per-pupil expenditures on education. In 1986, most of the provincial and state jurisdictions bordering Ontario incurred greater per-pupil expenditures than did Ontario.

On page 5 is the third indicator, expenditure ceilings. The inadequacy of these ceilings in Ontario is clearly seen from figure 3. The approved levels of expenditure have hovered around 60 per cent of the Canadian average per-pupil cost. That this has occurred in the most affluent province and in a high-cost region underscores the inadequacy of the ceilings.

The fourth indicator is education's share of the budget. On page 6, as figure 4 shows, the portion of the provincial expenditure budget devoted to grants for school operating costs has fallen from 16 per cent in 1975 to 10 per cent in 1989. Education's piece of the provincial pie is declining.

The fifth indicator is reliance on local revenue. A larger proportion of the revenues required to operate Ontario schools comes from local taxes than is the case in the other provinces. Figure 5 on page 7 shows that educational expenditures consume a larger portion of local revenues in Ontario than in any other province.

These trends must be reversed.

We turn now to the 1989 grant plan, which has had profound consequences for the finances of public school boards. As the chart on page 8 indicates, despite inflation and despite the new special initiative grants and stable enrolments, total grants to secondary education dropped by over 15 per cent. The provincial share was reduced to about 27 per cent. This is the lowest level of support since 1944.

Further, the public system as a whole received a smaller grant in 1989 than it did in 1988. We have to ask the question: What caused this situation to occur?

It is the view of the Ontario Secondary School Teachers' Federation that what has caused this to occur is the inadequacy of the 1989 basic per-pupil block grant. The basic per-pupil block grant is the engine that drives the per-pupil grant

contained in the recognized, ordinary per-pupil expenditure ceiling.

In 1989, the basic per-pupil block grant actually decreased. When the rate of inflation, 5.1 per cent, and the increase in provincial enrolments, two per cent, are taken into consideration, the OSSTF calculates that the basic block grant was actually worth 8.3 per cent less than it was last year.

What is fuelling the dramatic increases in over-the-ceiling expenditures endured by Ontario school boards is the fact that the basic block grant is simply inadequate.

The overall share of government support to public elementary and secondary education in Ontario this year dropped by 3.5 percentage points.

The 6.1 per cent increase in general legislative grants announced for 1989 was entirely consumed by the special initiatives grants. There was no increase whatsoever to fund ongoing programs, including special education, in the general legislative grants provided for 1989. In real terms, in fact, there was a significant decrease. This is unacceptable.

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OSSTF is concerned that the preamble to the Development of the 1989 General Legislative Grants warns school boards that the GLG allocation is fixed and will be amended retroactively to ensure that the "total amount of grant actually paid out to school boards is equal to the GLG allocation." Thus, if there are unanticipated increases in enrolment across the province, the per-pupil grants will be reduced accordingly and retroactively.

The OSSTF believes that this repudiates the central commitment within the grant plan. That central commitment is that the GLG would add whatever additional moneys were required to fund the education of students to approved levels. OSSTF objects to this aspect of the plan. Grants are enrolment-driven and they must continue to be sensitive to enrolment changes.

The 1989 Ontario budget indicated an operating surplus for 1989 of \$2.6 billion. Unlike the previous presenters but, from what I gather from your comments, very much like other presenters who have appeared before you, we certainly believe that the fiscal means are there to finance education in this province to a much greater extent than is presently the case. Certainly the Ontario teachers' pension plan will add to the economy's buoyancy.

The 1989 grant plan contains two negative factors. The first of these is the secondary



equalized mill rate that was provided for 1989. In 1989 the basic per-pupil block grant actually decreased despite inflation and pupil enrolment increase. The Treasurer raised the provincial equalized mill rate and that was done by doing two types of things in a process that is outlined on page 11 in the brief. First, the provincial equalized mill rate was increased by 10.65 per cent for the elementary and 19.36 per cent for the secondary rate. Then the factors were adjusted so that the total equalized assessment in the province fell by 4.9 per cent. The net effect of these changes was to shift some \$350 million in approved costs from the GLG to the local tax base of school boards, and much of this downloading has occurred at the secondary level.

The second negative factor in the 1989 grant plan was the announced large increase in the unapproved costs. The table on page 12 illustrates how much larger this year's increase in unapproved costs is than those of previous years. It is obvious that approved levels of expenditure have been deliberately held below levels of costs that would be clearly recognized as realistic.

These 1989 grant changes forced public boards to raise property taxes in order to do three things: to replace the withdrawn grants, to pay costs arising from increased enrolments and to cover the cost of inflation.

The pooling legislation served merely to exacerbate the shift in the proportion of grants received by the two types of school boards as shown in figure 7 on page 13. The chart on page 13 reveals that the government is shifting funds away from the public schools and towards separate boards, and the pooling legislation is merely an extension of this shifting pattern.

OSSTF opposed the pooling legislation and the concept of pooling itself because pooling forces one group in the province, the public school supporter, to discharge the equalization of educational opportunity for a second group in the province, the separate school students. OSSTF believes that this is the obligation of the senior level of government and that that obligation is met through the grant plan.

OSSTF does not believe that the government plan to compensate public school boards will fulfil the Minister of Education's guarantee that no board will lose as a result of pooling. We have three reasons for holding this belief and these are outlined on page 14.

The first is that the proposal does not compensate for the inadequacy of the ceilings themselves.

The second is that the government's impact study does not take into account the shift in the local burden that occurred in 1989 or other shifts that might occur in 1990. The impact study that was done by the Ontario Public Education Network indicated that the true cost to public boards will be closer to \$116 million annually. That is over and above the promised flat rate compensation. Furthermore, it suggests that 48 boards, not 13 boards, will be adversely affected.

Our third reason for holding this belief is that during the hearings on the two bills the Ministry of Education officials announced that no attempt would be made to measure the actual revenue losses of public boards.

So we are concerned that in spite of the stated guarantee public school boards will be compelled to absorb revenue losses due to the passage of the pooling legislation.

We believe that a sound model for compensation is one that is based upon two principles, and these are outlined on page 15 of the brief. The first is that compensation be based on actual lost revenue and the second is that compensation flow to those boards that have lost revenue in the amount of the lost revenue.

OSSTF supports the basic intent of two recommendations that were tabled in the third report of the select committee on education. Those are recommendations 3 and 23. None the less, in spite of that support, we also believe that you have a clear responsibility to take immediate action to redress the need for improved education financing. In fact, all the partners in education agree that improved funding is required.

The 1990 general legislative grants must be adjusted to improve the percentage of education funding that comes from the provincial government to offset the portion of the education bill assumed by the local taxpayer. As an interim measure, OSSTF recommends that a minimum of 50 per cent of the 1989 overceiling expenditure be incorporated into the 1990 general legislative grants.

The 1990 grant plan should accomplish three goals: the \$350 million in approved costs downloaded from the grant plan to the property tax base should be restored to the grant plan; at least one half of the \$1.9 billion in unapproved expenditures identified in the 1989 grant plan should be made recognized expenditure under the plan; and the portion of the government expenditure budget allocated to general legislative grants for net school board expenditure should be increased so that it becomes at least 12.5 per cent of the expenditure budget.

Finally, we believe that Ontario's investment in education must recognize the additional expenditure burdens that have been placed on school boards in 1990. These are the OHIP payroll tax, changes to the copyright laws, adult continuing education programs, and restructuring of grades 7 to 9, the transition years.

The 1990 grant plan provides an opportunity for the government to put in place the foundations for the education system envisioned by the Premier and mentioned at the outset of this presentation. The OSSTF urges the committee to adopt the recommendations contained in our brief and to recommend them to the Treasurer.

I would now ask Jim Livermore to read the recommendations into the record.

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**Mr Livermore:** The recommendations are on pages 20 and 21.

We recommend that the standing committee on finance and economic affairs recommend:

First, that the 1990 general legislative grant plan restore by means of the general legislative grants the \$350 million in approved costs that were downloaded to the property tax base in 1989.

Second, that the 1990 general legislative grant plan increase the amount of school board expenditure recognized for grant purposes by at least \$950 million.

Third, that the Treasurer allocate at least 12.5 per cent of the 1990 expenditure budget of the government of Ontario to general legislative grants for net school board expenditures.

Fourth, that the 1990 general legislative grant plan include a grant equivalent to the estimated additional contribution of boards to the OHIP payroll tax, that the grant be specifically labelled for this purpose and that it be in addition to any other grants.

Fifth, that the 1990 general legislative grant plan include a grant equivalent to the estimated annual cost of payments made under the new copyright laws, that the grant be specifically labelled for this purpose and that it be in addition to any other grants.

Sixth, that the 1990 general legislative grant plan set the adult continuing education per-pupil grant at 75 per cent of the basic per-pupil block grant for secondary school students.

Seventh, that where a program of restructuring the transition years is in effect, the basic per-pupil block grant be increased to reflect the additional costs of this program.

**Ms St Amand:** Thank you very much, gentlemen. We would be pleased to respond to any questions.

**Mr Reyecraft:** How much time have we got, Mr Chairman, and how many questions will you allow?

**The Chair:** We have about 12 minutes, so I would think one or two each.

**Mr Reyecraft:** I am fascinated at the range in the cost of education that exists across the province, across the country and across the continent. When you look at what jurisdictions are spending on a per-pupil basis, the range is quite significant. I have not yet had an opportunity to read all of the report of the select committee on education. I know that one of the questions they were wrestling with was, what was the appropriate cost of elementary and secondary education; what should be looked at as an appropriate level of expenditure? Do you have any advice for us on the answer to that question?

**Ms St Amand:** It seems to us that the appropriate level is the one at which the financing of education is such that it enables the educational system to meet the stated priorities of the government. It is clear to us that there is a big gap between what those stated priorities are and the means that are being provided for us to implement those at the local level. The indicators that to us are important in assessing the nature of that gap were indicated to you on page 7 in the brief. I know that might be a general answer to the question, but—

**Mr Reyecraft:** It is, and I guess I am looking at the 1988 cost in Metropolitan Toronto per secondary school student of \$6,500. In my county the cost for the public board was \$4,659; for the separate school board it was \$4,465. I look at outside jurisdictions: In New York in 1986 they spent \$7,743 per student. There is a wide range and I am looking for some advice on what is appropriate. How can we make a statement that education is being underfunded or overfunded unless we are able to make some determination as to what the cost of an appropriate education is?

**Ms St Amand:** I think the appropriate cost of education depends on what the priorities are that have been set for education by the government of Ontario. The Premier has made very clear that education is a top priority in Ontario and that it is integrally linked to the competitive nature of Ontario in a free trade world. Given that ultimate priority, we have to look at how much money the Ontario government is willing to put into that cost out of provincial coffers. It is clear that the Premier has said that education is a collective good, not just a worthy good. That, to my mind,



means that by far the major portion of the cost of education should be shouldered by the province of Ontario and not by local taxpayers.

**The Chair:** You can see why we on this select committee have trouble answering that question too. Are you finished?

**Mr Reycraft:** If I could, one other quick question. You stated that the fiscal capacity exists to increase the funding of education. You did not follow up on that with any specifics. You indicated you had heard the previous presentation, so I would invite you to expand on that statement if you can and would care to.

**Ms St Amand:** I am going to ask John McEwen to answer that question.

**Mr McEwen:** A couple of things: I did notice in the materials in the previous presentation that relative to other provinces Ontario's debt load was substantially lower, both in terms of current obligations and in the total load.

Second, there is the matter of the operating surplus in 1989. My colleague made reference to the teachers' pension plan. I believe that was in the context of the investment that the teacher's pension plan would make and that the capital obligations of the government would probably exceed its requirements. So it has a source of funds. The fact that other provinces in Canada can devote a greater portion of personal income to education suggests that there is room to grow in this province.

**Mr McCague:** Mr Reycraft had an interesting line of questioning in asking you what the appropriate level of financing was for both schools. It would appear to me that the government has decided what the appropriate level of financing is, and you do not think it is enough. Maybe Mr Reycraft would tell us what the appropriate level is, given the budget that is forwarded to the school boards each year.

**Mr Reycraft:** I am on this committee to receive the information, not to provide it, Mr McCague.

**Mr Daigeler:** Do you have any information as to what has been the average percentage increase in negotiated salary settlements in recent years?

**Ms St Amand:** This year we are looking, at the present time, on salaries negotiated for 1989-90, at 5.65 per cent.

**Mr Daigeler:** Do you know what it was last year?

**Ms St Amand:** It was less than that, but not by much. Mr Livermore was just saying to me that it

was 5.4 per cent, and I think that is a fair assessment.

**Mr Morin-Strom:** Thank you for your presentation. You may be aware that this committee has addressed the inadequacies of funding to boards of education in the past and has made recommendations in the last several years. But as, I guess, the Liberals have become accustomed to office, they have changed the wording of the recommendations from what was originally moving back to the target of 60 per cent of the funding of the cost of education, to, in last year's recommendation, that the target should be 60 per cent of approved budgetary expenditures in mandated programs.

This qualifier that now they have targeted just 60 per cent of approved budgetary expenditures makes a huge difference, I understand, in terms of what the real costs of education are in the province. I do not see specifically a recommendation here in terms of this 60 per cent target, but do you see a significant difference as to whether it is 60 per cent of approved budgetary expenditures or whether it is 60 per cent of the total cost of public education?

**Ms St Amand:** Yes, we do, absolutely. I am going to ask John McEwen to provide some detail for that.

**Mr McEwen:** It is easy to achieve 60 per cent funding of approved costs. All you have to do is lower the approved costs to a sufficient level. In 1989 we saw how that worked. The more significant indicator, in my mind, is the recommendation that we made to increase the proportion of the provincial budget devoted to general legislative grants for school board net expenditures to the 12.5 per cent of budget level. That would bring us roughly halfway back to where we were in the mid-1970s. As a measurable goal, that would give a yardstick of increase in support back to the previously promised 60 per cent funding level for all costs.

1130

**Ms Hošek:** I am very interested in your brief and in the whole question of education most broadly considered. I am wondering whether you have, or are able to produce, information that links the expenditure per capita on students in the various jurisdictions with any measurement of achievement level of those students in those jurisdictions. I know that what it is you are measuring is a contentious question, but there are some across-the-board testings done in the United States with the standard admission test scores or the preliminary SAT scores or the



scores of students around the age of 12 or so. In the secondary school system there are measures if you want. Most jurisdictions have some form of measurement taken. Is there any linkage that you can show between the expenditures and the achievements of students?

**Ms St Amand:** I think we have to look at the assumptions upon which you have based the question, and that is that somehow the more money you pump into the system the better the results are going to be. I think you really have to look at that kind of assumption very, very carefully. The OSSTF has a long-standing position in opposition to the use of standardized tests to do that very kind of thing. We believe that if the funding is appropriately provided and teachers are given sufficient autonomy to do the job the curriculum requires, the end product will be a citizen we will all be proud of in future years. So our concern is with the kind of investment that the provincial government is willing to put into education at the present time. The output at the end is going to be very much determined by the amount of financial assistance that the provincial government is willing to put into education. But I do not think you can use standardized tests for the purpose that you have envisioned. We have seen that happen in the United States with very poor results.

**Ms Hošek:** If I may say something about that: I think none of us is wishing our young people to come out the other end of the education system as little cookie-cutter kind of people. We are talking about the development of human beings. But I think I am asking you to find perhaps some other way.

It seems to me, from your analysis, that implicit in your entire argument is some sense that the amount of money you put into the system seems to determine the quality of the education we give our students. I think on the gross scale that is probably so, but the kind of argument you are making with your various charts implies that there might be a very direct relationship between \$1,000 and the quality of what happens for students in the school system.

It seems to me that for all of us struggling with the matter of education finance, one of the questions is: "What are you investing in? What happens as a result of money spent?" I think all of us have this trouble with that. I throw out a standardized test because it is one I know about. There must be some other measures.

It seems to me it is worth us thinking about that and you thinking about that. What are we measuring? How can you know that spending

money, above a certain amount of money, really makes a difference in the lives and capacities of the young people we all care about? I do not think we have figured out a way to do that.

**Ms St Amand:** No, that is at the root of the whole issue of accountability within the public education system, and we have certainly indicated our willingness to engage in consultation on that whole issue of accountability and to face that head-on.

One of the positive features of what the government is proposing to do in that area deals with the use of matrix testing, which is the provincial sampling system that has been established to test programs. We are very much in favour of that, and I think that that whole process will go a long way towards meeting those needs related to accountability that you have just addressed. John wanted to add to that.

**Mr McEwen:** Yes, I would like to speak as a classroom teacher. I teach for a school board that receives no provincial grants and has the high per-pupil cost that was mentioned earlier. I teach a physics class without textbooks. I teach computer science classes without textbooks. I teach computer science classes with malfunctioning equipment and with an inadequate curriculum. As far as I am concerned, the money to perform the task that I am obligated to do has not come down to the classroom level.

Frankly, it does not matter, speaking as a classroom teacher, where the taps have been turned off. I am just aware very critically of the fact that the tap has been turned off and it is going to be very difficult for my students to get the kind of education that they are entitled to in the conditions under which they are asked to learn.

**The Chair:** Thank you very much for coming forward. Unfortunately, we are out of time, but I want to thank you for taking the time to submit your brief and for being here today. We appreciate it.

Our final presenter of the morning is from the Ontario March of Dimes: the director of corporate and public affairs, Randall Pearce. Welcome this morning; we appreciate you coming. We have set aside about 30 minutes for your presentation and questions back and we would invite you to begin whenever you are ready.

#### ONTARIO MARCH OF DIMES

**Mr Pearce:** I have been asked to pass on the regrets of Dr Tom Deans, a volunteer member of our government relations committee. He was unable to make it at the last moment.

I would like to say that the Ontario March of Dimes welcomes the opportunity to make this submission to the standing committee on finance and economic affairs. As a voluntary sector service provider we appreciate each opportunity for the joint planning of services and programs for persons with physical disabilities. We hope that this presentation will provide the committee with an appreciation of the funding problems we experience in the field and sufficient information to generate questioning of the real needs of persons with disabilities in this province.

In preparing this submission, we have taken into account the mandate of the committee, which is to evaluate the funding requirements of established policy as it has been expressed in the past and in the most recent speech from the throne.

Although the funding priorities listed in this submission have direct relevance to our clients with disabilities and the needs of the Ontario March of Dimes, we would like to express our support for the general themes expressed by our sister organizations working on behalf of persons with disabilities, and in particular for those coalitions of which we are a member, namely, the Voluntary Action Committee, which has addressed the Treasury directly in a letter dated 18 January, and the Income Maintenance for the Handicapped Coordinating Group, which, I believe, will be making a presentation before you.

Let me tell you just very briefly about the March of Dimes. Since the organization's formation in 1951, the mandate of the Ontario March of Dimes has evolved significantly. The original function of the March of Dimes was to fund research to find a cure for poliomyelitis. With the development of the Salk vaccine, the emphasis of the Ontario March of Dimes shifted to treatment and rehabilitation of adults who were experiencing the residual effects of polio. Over time, the population served by the Ontario March of Dimes was expanded to incorporate all physically disabled adults in Ontario.

The mission statement of the Ontario March of Dimes states that: "The foundation's basic objective is to assist all physically disabled adults in Ontario to achieve a meaningful and dignified life." As a result of this mandate the Ontario March of Dimes is active in more than 27 communities across Ontario in 50 locations as a voluntary sector organization serving adults with physical disabilities.

We concentrate 90 per cent of our resources on three important services that are necessary to the

independence and dignity of persons with disabilities.

I am not going to go through all of the detail that is contained in the report; I am going to simply mention to you that employment services at the March of Dimes are composed of the discovery computer training program and the vocational rehabilitation program. The latter is by far our largest program, occupying more than 50 per cent of our resources. The goal of the program is to return injured workers to the workforce and to provide opportunities for people who have never worked before.

The second service is independent living assistance, and I will speak about that service in much more detail in the body of the submission. Last is assistive devices, perhaps one of the most traditional services for disabled people. We provide wheelchairs, canes, crutches and much more highly technological aids and environmental aids that allow disabled people to remain in their own homes and live independently.

#### 1140

In terms of financing our operations, the Ontario March of Dimes receives approximately 35 per cent of its revenue via provincial grants, 26 per cent from production and service fees, 15 per cent from project grants, 17 per cent from fund-raising campaigns and United Ways, and seven per cent from other sources.

During the course of any year, our organization works with thousands of physically disabled individuals throughout the province, some 52 per cent of whom survive on less than a \$10,000 gross family income and of which another 38 per cent reach the plateau of only \$15,000 per year. I would like to note to the members that I myself found these figures rather familiar. I was concerned that they might be dated and I checked the latest Environics survey done on behalf of the office for disabled persons and I was dismayed to find that they are in fact very much current.

Our goal at the March of Dimes is to provide basic yet fundamentally important assistance so that they may contribute as active and independent individuals throughout society. Let me speak first of all to social assistance reform.

The March of Dimes joined with many other groups and organizations in welcoming the funding for needed reforms to Ontario social assistance on budget day in 1989. The Treasurer of Ontario, the Honourable Robert Nixon, pledged on that day that the \$400 million allocated to the implementation of phase 1 of the Transitions report was new money. He repeatedly assured questioners, and I was there on budget

day and I was asking questions, that existing programs and announced expansions would not be sacrificed or frozen in the interest of implementing social assistance reform. However, we have strong reason to believe that this is not the case and that established programs are suffering. We will address these matters later, but we would like to express two points with regard to the reformation of the social assistance system.

First of all, reform should proceed. The March of Dimes gave extensive input to the reform process and we continue to support the recommendations of the Social Assistance Review Committee. We believe that the government should proceed with the implementation of the remainder of phase 1 and with the recommendations categorized as phase 2.

Second, reform should proceed, but not at the expense of established programs and announced expansions. Otherwise, the government is simply trading the interests of one needy group in the province for those of another. Unfortunately, our experience has shown that it is the needs of the most disadvantaged, the severely disabled persons of this province, which are first to be sacrificed.

Assistive devices: The delayed expansion of the assistive devices program may serve as one example of a program that has suffered in the face of social assistance reform. In particular, we are concerned that the expansion of the program to include orthotics has not proceeded on schedule. When the expansion was first announced in 1987, March 1989 was targeted as the implementation date. We have watched the delays stretch by more than 10 months to date as we have watched all of the other implementation targets be exceeded, and we encourage the government to address this commitment without delay.

In addition, adults who require augmentative communication devices and assessment services remain without any service at all. For these persons, many of whom are nonverbal as a result of congenital disability or a disabling stroke, communication is completely out of reach. The technology is well in hand, but the devices are far too costly and there are no established clinics where assessments can be made and devices fitted.

At present, the March of Dimes is launching a small mobile augmentative communication clinic with the assistance of the Trillium Foundation. We encourage the government to take seriously the needs of those who cannot speak for themselves and commit to funding a permanent

clinic and devices for adults. I might just add that at the present time, those people in the most extenuating circumstances, if they are lucky, are being handled through children's services. If you have given them an augmentative communication device that is designed for a child, it sounds like a child when you use it. It is a demeaning and humiliating experience and we have personal experience with individuals in parts of the province who have been fitted with these devices.

Independent living assistance: The March of Dimes delivers independent living assistance through two programs, outreach attendant care and home support services. In 1988, the Lord report on attendant care strongly urged significant and continued funding of attendant care services. The delays in the recommended expansion provide the most poignant illustrations of how established programs may be experiencing delayed growth in light of social assistance reform.

I have received reports from the counties of Leeds, Grenville and Lanark in the eastern region of the province where outreach attendant care is desperately needed. Here are the stories of five individuals who are awaiting a commitment from the government on budget day:

1. First of all we have a 28-year-old man who is a quadriplegic as a result of a spinal cord injury at the C4 location. He is about to be discharged from a rehabilitation hospital to a general hospital. He is ready to return to his home, but he will be unable to until attendant care is available. Until this government commits to expanding service, this young man will remain with the unwell in a general hospital.

2. A 30-year-old man who has suffered a similar spinal cord injury faces the same dilemma.

3. In March 1989 a 35-year-old man suffered left-side paralysis and some cognitive deficits as a result of an injury. He and his young wife have three small children. His wife is struggling to care for her husband with the help of a Victorian Order of Nurses nurse. Without attendant care service, this family will not be able to stay together very much longer.

4. A 25-year-old woman who has muscular dystrophy is totally dependent on her wheelchair for mobility. She requires assistance for personal care, toileting and her exercise routine.

5. Last, a 36-year-old woman has multiple sclerosis and finds herself in a similar situation. She requires attendant care and homemaking services.



I would just like to speak for a moment to remind you that I am not a very old person, yet I am older than some of the people whom I am mentioning here today. We are not talking about seniors; we are talking about people who are in the prime of their lives. The examples of these individuals were drawn at random to illustrate the need for attendant care expansion. There are many more like them. When we consider that these individuals all live in the Kingston area, it is easy to calculate the number of underserved individuals represented by the members of the committee here this morning.

The cost of meeting the needs of these individuals is estimated at \$56,000, or approximately \$11,000 each. The cost of keeping just one of these people in chronic care, the cheapest form of hospital care and where the first two cases presently live, is \$41,975 each year.

Home support services are in need of expanded funding as well. From Sault Ste Marie, two examples of underfunding have been provided.

First of all, the night shift is understaffed at the March of Dimes attendant care project. Two night attendants are required to ensure the safety of tenants and to assist one another when residents require two-person assistance.

Second, training is sorely underfunded. For example, new staff are required to work three shifts for orientation. These costs are not covered. With the high turnover in this area, these costs multiply quickly. In addition, training is of particular importance due to the constant changes in the field of attendant care.

In Sault Ste Marie, Richmond Hill and Toronto, the March of Dimes is awaiting funding of projects. In all cases, Ministry of Housing funds have been approved, but the attendant care funding from the Ministry of Community and Social Services is long overdue. In both Richmond Hill and Toronto, we have waiting lists that were capped at 60. We could have carried them on over 100 persons; however, in each city we might be able to offer just 15 spaces.

In the face of closures of institutions such as the Vaughan Glen institution, it is extremely important that the government make a significant commitment to attendant care expansion on budget day.

**Respite care:** For adults with physical disabilities who receive assistance from family members, respite care is part of a continuum of services necessary for preserving the independence of disabled adults within their own homes.

In the Samia-Lambton area, the March of Dimes has piloted a very successful respite-

vacation care program with the assistance of the local United Way. This is a much-needed program for family members who provide care to their relatives with disabilities. It provides a much-needed break and allows the care giver to make necessary out-of-town trips and family visits.

The existence of respite care ensures that current care givers are able to continue providing the services longer and much more economically. Hence, it reduces the drain or demand for additional outreach and home support services. In addition, it reduces the incidence of family breakdown, which so frequently is the product of unrelieved care-giving. In Samia-Lambton we have realized tremendous community support and our referrals have increased over 100 per cent in the past year. Our funding for this project will end on 31 March.

The Ontario March of Dimes strongly urges the government to fund this and other respite-vacation care programs for care givers within the context of the long-term care review.

#### 1150

Just briefly, two matters: the employer health levy and the impact of the goods and services tax on the voluntary sector.

As a voluntary sector agency, we share the concerns of the members of the Voluntary Action Committee with regard to the projected impact of the employer health levy on transfer payment agencies. When the Treasurer announced the levy last year, he committed the government to providing bridge funding to cover the additional unbudgeted costs to be incurred during the last quarter of fiscal 1989-90. In addition, the Treasurer made the assurance that transfer payment agencies would receive supplementary base funding in 1990-91 and subsequent years to negate the effects of the employer health levy. We urge the government to follow through on these commitments in the upcoming budget.

The Ontario March of Dimes projects that it will face an additional \$128,000 in costs on gross salary and benefits on a projected payroll of \$10 million as a result of the EHL. As you can well understand, these new costs, without offsetting increases in payments, could have a devastating effect on many voluntary sector agencies.

**The goods and services tax:** There is widespread concern that the proposed federal GST will have a considerable and detrimental effect on the voluntary sector. As a transfer payment agency, the March of Dimes joins other members of the Voluntary Action Committee in planning ways and means for offsetting the adverse effects

of the GST. Since many of our government-funded programs will incur new costs as a result of the GST, we believe the government of Ontario will wish to seek compensation from the federal government, particularly within cost-shared areas.

The Voluntary Action Committee has suggested the following three means by which our group might work with the government:

First, to appoint officials within the Ministry of Treasury and Economics to form a working group with our directors of finance to determine the real effects the proposed tax will have on the voluntary sector agencies and then to communicate these concerns to the federal government;

Second, to work with the Voluntary Action Committee to determine measures to offset unbudgeted additional costs imposed by the GST in the last quarter of fiscal 1990-91, and

Third, to plan strategies for the recovery of additional costs imposed by the GST in subsequent years.

Please remember that as a voluntary organization we receive unsolicited funds from the public through donations. The impact of both the employer health levy and the GST erodes the goodwill of Ontarians in supporting the work that we do and erodes the effectiveness of our programs for our clients.

Just before I go I would like to say that the Ontario March of Dimes thanks the committee for the opportunity to present its views and the needs of our clients with disabilities across Ontario. We hope that the members will recognize the real and individual needs that prompted our organization to make this submission. Thank you very much, Mr Chairman. I will be happy to answer any questions.

**The Chair:** Thank you. I note there is a list of recommendations on page 11 of this very thorough brief and we thank you for that brief.

**Mr Morin-Strom:** I would just like to commend the March of Dimes for bringing forth its submission. We have had several other submissions from groups in the past as well as several that have been with us last week. I think we have addressed some of these subjects in the past.

I would hope that the government will continue to give greater attention to the specifics of the concerns you are bringing forward. I am sure we will be looking at your recommendations seriously along with others in the disabled community. I hope that we can spur the Treasurer to assist in meeting the specific needs of the disabled community beyond the initiatives that at

least were moved on last year with respect to the SARC proposals and the response that at least went some way towards meeting some of those concerns.

**Mr Pearce:** Thanks very much. We will look for your particular support for the new project between the Ontario March of Dimes and the Knights of Columbus in Sault Ste Marie and some of the existing problems in our projects there.

**Ms Hošek:** My question is not about the central question that you raised, which I have a very great interest in. In your recommendations you ask that the government follow through on assisting the voluntary sector to work with the whole problem of what has happened to you as a result of the employer health levy and also the goods and services tax that is coming. Have you any reason to believe that the commitments that have been made will not be followed through or that that process is in some way not proceeding as you would have expected? Is there a problem there, or are you simply repeating your concern that this be done and wishing us to do the same thing?

**Mr Pearce:** We are repeating our concern, reminding the Treasurer of his commitments. We have yet to hear from officials within the ministries from which we receive funding to explain to us how this mechanism will work. So I am simply stating that while we are confident that this will be coming forward, we are reminding of commitments.

The GST is a different thing altogether, because it is very difficult for us to assess the impact on our own. What we really do require is a partnership with government to sit down and determine what the effect will be, given that most of the money flows from the federal government through the provincial government to us. So we will want to work with the government to actually pin down those costs. It is a very complex area and not all of the organizations have the analytical ability to determine its impact.

We are really looking at costs that will be incurred as of 1 January 1991, which is the third quarter of the upcoming fiscal year. If these needs are not addressed, we are going to be forced into deficit situations, given that there is no way at the present time that we are able to budget for those unforeseen costs.

**Ms Hošek:** And for the structure of those costs, which you cannot predict. Am I right in saying that on the second issue, which is the GST, there is a group of voluntary groups that

would like the help of the provincial government in dealing with the whole analysis and the implications, but that that commitment has not yet been made?

**Mr Pearce:** Actually, the request has just been made and I am simply supporting it here before the committee. Six of the largest transfer payment agencies in Ontario have been meeting on a regular basis for the past five years and they are known as the Voluntary Action Committee. We represent roughly 90,000 volunteers and something like \$300 million in funding from the provincial government. Therefore, we feel as if we are well positioned to work with the government on determining the effects, and we simply encourage the government to work with us—

**Ms Hošek:** To do that.

**Mr Pearce:** —to do that.

**The Chair:** Thanks, Mr Pearce, for coming. We appreciate your very thorough review. You might be interested to know that, I think it is tomorrow, the Honourable Charles Beer will be coming to talk to the committee about the SARC

implementations: where we stand, where we are going, and those kinds of things. I am sure some of your concerns will be addressed tomorrow as well.

Just before we recess for lunch, we have had a response. Unfortunately, the Honourable John Sweeney is not available tomorrow afternoon but has offered to send his parliamentary assistant to the committee. Is it the wish of the committee that we proceed with that?

**Ms Hošek:** Sure.

**Mr Morin-Strom:** What about the deputy minister?

**The Chair:** The deputy minister? As well as the parliamentary assistant? We will see if that is possible. I do not know; but failing that, we will have the parliamentary assistant at the very least and perhaps the deputy minister as well.

**Ms Hošek:** Who is the parliamentary assistant?

**The Chair:** Walter Elliot. Okay? We stand recessed until two o'clock.

The committee recessed at 1159.



## AFTERNOON SITTING

The committee resumed at 1400 in room 228.

**The Chair:** I will call to order the afternoon session of the standing committee on finance and economic affairs. There will be more members joining us as the afternoon progresses.

Our first presenter this afternoon is Mr Whitehead, regional economist, economics division of the Canadian Imperial Bank of Commerce. Welcome and thanks for accepting our invitation to come today.

CANADIAN IMPERIAL BANK OF  
COMMERCE

**Mr Whitehead:** I want to say to begin with that I really appreciate being invited to appear before your committee. I hope what I have to say is in some way helpful.

I have given you a copy of my presentation. You probably have it before you. In looking at it I am reminded of Erasmus, the Renaissance scholar who complained that he had written a long letter because he did not have time to make it short. That is perhaps true of my writing too. I wrote it quickly and it is long as a result, so I will try to summarize it very briefly. My main points that I will try and cover are:

1. I think the economy is relatively strong. It is going to be weaker this year than it was last year, and for that reason and for a number of other reasons we would probably recommend that you not adopt very much in the way of countercyclical budgetary policy.

2. Given that stance, we would probably recommend that you adopt or aim for a fairly large surplus on your current account in the coming fiscal year.

Finally, I have a couple of other points just for your consideration which do not particularly relate to countercyclical policy but relate more to general budget presentation.

The first recommendation, however, is sort of an overall thing; that is, we would recommend that the government aim for a continuing restraint on expenditure growth. We have seen in the last few years that expenditure growth in the province has been fairly rapid, albeit by some measures less than the overall growth in the economy. I think we would still advise that restraint is important, even with the demands on the government down the road.

Expenditure restraint exercised at this point will be very helpful in meeting some of your budgetary problems in two, three, four or five

years' time. We have had seven years of exceptionally strong growth and we would hope they are not like the biblical sense of seven years of feasting in order to look at seven years of famine, but just in case that arises we would say that expenditure restraint now is the proper course.

My first recommendation, as highlighted in the report, is that the government should aim to keep the growth in the province's debt below the economy's long-term growth rate, primarily through regular expenditure restraint. I want to emphasize that we are targeting long-term growth rate as opposed to year-over-year growth rates because sometimes, as we have seen in the past, exceptionally strong economic growth can lead to a declining debt to gross domestic product ratio, but that perhaps is more a result of rapid growth than tight fiscal policy.

I want to comment, as I turn to the issue of countercyclical policy, on the underlying assumptions of our outlook for the economy and how they relate to the grey book or your background briefing material from the Ministry of Treasury and Economics. In particular, the grey book sees a slowdown in the Ontario economy in 1990. We see roughly the same sort of activity. We are looking at somewhat weaker than the two per cent growth forecast by the Ministry of Treasury and Economics, but certainly that is in the same ball park and it is not out of line. We see a weakening but we do not see a recession.

In line with that, our second recommendation is that fiscal stimulus such as might be justified in a severe downturn is not justified on the basis of the current outlook for the Ontario economy.

As I mention in my handout, economists have been wrong about forecasts before, so we should take into consideration what perhaps is the more serious of the alternatives to the economic forecast we have detailed, and that is that economic growth is substantially slower, perhaps even a recession, in 1990.

What should the government do in such a circumstance as that, or if it adopts that view what should it do in advance? My sense is that if we have a sharp downturn, a recession if you will, in 1990, it will primarily be the result of slower consumer spending, slower household spending in the province. My sense is that if that is the case, the opportunities for countercyclical policy, the opportunities to stimulate the con-

sumer to spend more and so keep the economy going strongly are strictly limited.

There are three problems as I see them:

One is that if consumer spending slows down in 1990, it will be largely the result of the fact that we have had seven years of very strong consumer spending. They have a large number of durables that are relatively new, cars, furniture and appliances and they are in a mood to rebuild their finances and not to spend any more. Hence it is going to be very difficult to encourage them, through tax policies or otherwise, to spend more.

Second, if you stimulate in 1990, to the extent that you are stimulating the purchase of durables or housing you will be robbing from the future. Money that is spent in 1990 cannot be spent or will not be spent again in 1991. Our economic outlook is that in fact 1991 perhaps could be weaker than 1990. So in a short pithy sense, keep your powder dry.

Finally, this is a concern that applies to almost all governments and almost all situations, but perhaps applies most specifically to a provincial government. Almost any household expenditure involves significant import leakages. Money that is spent by a household filters out of the economy in terms of imports. We have seen that in the last year and we are going to see that again. Provided the Canadian dollar stays high, it is going to be very attractive to spend money on imported goods as opposed to buying domestic and in particular locally produced goods.

For these reasons I would recommend, in the event of a sharper downturn caused by deficient household demand in 1990, that attempts to soften the downturn through expenditure incentives are unlikely to be successful, long-lasting or cost-effective.

It is all very well and good for an economist to sit here and tell you that on strict economic matters the government should sit by and watch the economy slow down. It is very difficult for a government to sit on its hands and do that. I strongly recommend that countercyclical policy is not appropriate in the province of Ontario and certainly not appropriate in 1990. However, I understand that there is, perhaps politically speaking, a need to be seen to be doing something.

I would rather address that problem from the point of view of capital expenditures in that the Ontario economy has a need for growing economic infrastructure, and 1990 and perhaps even more 1991 could be seen as a period, a window of opportunity if you will, for the government to make some of the capital expendi-

tures that it has highlighted in the past and that are going to be necessary and inevitable—I underline “inevitable”—for the Ontario economy.

When I speak of a window of opportunity, I am referring particularly to the fact that we think business investment will be slowing down in 1990 and perhaps even more in 1991. So some of the bottlenecks and constraints that have met investment in the recent past, investment in road repair or road construction or other capital investments, might not be as serious in 1990 and 1991 because you will not be running up against strong business investment.

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If the government identifies particular investments, capital investments that are going to be made anyway and can be made in 1990 or 1991, then I would suggest that it make those, but only to the extent that they fit into a long-term plan and it is beneficial on a cost-benefit basis for the Ontario economy.

That is my recommendation 4. I will just quote it here, “The government should not attempt to stimulate an economy which is at or near full employment, but the government could view the coming slowdown in business capital spending as a window of opportunity to make necessary and inevitable investments in the province’s infrastructure.”

I have obviously made the distinction between current expenditure and capital expenditure, and I think that leads me naturally to my recommendation 5, “The government should adopt a budgetary presentation that emphasizes the separation of current and capital revenues and expenditures.” To some extent the government has been doing that, perhaps to highlight the surplus on the operating account, but I think a fuller presentation of the capital and current expenditures is called for, and that is that there are revenues related to capital expenditures and they probably should be included in the capital budget as opposed to being included in the current budget and viewed all as current revenue.

I would expect that you would look for some sort of target funding for the 1990-91 fiscal year, and in that regard I would say that the government should probably aim for a fairly large current account surplus, something in the order of \$2 billion to \$2.5 billion. This is roughly in line with what the government aimed for in 1989-90 after you have taken into account the prepayment of transfers. I think, given a couple of taxes that you will have in place for the full year and the fact that the economy will be operating at or very near full employment, the

government should aim again for a fairly large current account surplus.

Finally, I want to recommend an idea that some of the other provinces have adopted and that is a fiscal stabilization fund. Notably, British Columbia and Manitoba have adopted this. The way it works is that they have a forecast of what revenue they expect in the coming fiscal year. If they get more than they expect, for whatever reason, that excess is transferred to a fiscal stabilization fund and kept there for use in periods when they do not meet the revenue targets.

The advantage of this is that you do not end up having excess revenue that is willy-nilly spent on expenditures in that current year. In fact you stick to your long-term expenditure plans. There is no temptation of excess revenues justifying excess expenditures. You stick to those long-term expenditure plans and allow for some errors in your forecasting of revenue growth.

Those constitute my seven recommendations and I should be delighted to discuss them or answer questions.

**The Chair:** Thank you very much. We have a few questions; Mr Faubert first.

**Mr Faubert:** I guess this is one question only per member.

Just on your last point, when you talk about the government establishing a revenue surplus, that it should set up a fiscal stabilization fund, I would assume part of that is to be used for deficit reduction, so you cannot do both.

**Mr Whitehead:** No, but if you put aside the money in a fund, you could buy back your own debt or do whatever you want to do with it. As an accounting rigour, that money would be set aside and you would have a more accurate idea of how your expenditure restraint progressed through the year.

**Mr Faubert:** Okay, so you are suggesting the stabilization fund then in turn be used as a deficit reduction.

**Mr Whitehead:** Or whatever other investment.

**Mr Faubert:** Or whatever other use. Okay; thank you.

**Mr Reycraft:** Are there other provinces in Canada that do follow a different budget presentation format, that use a different accounting mechanism that separates capital revenues and expenditures from operating?

**Mr Whitehead:** Yes. Most notably, the Atlantic provinces all do that. They make a

specific point of separating out capital and current expenditures and revenues.

**Mr Reycraft:** My understanding is that the British Columbia government is reporting, or projecting, I guess, an overall budget surplus this year. I do not know whether they follow the same reporting mechanism as we do. Can you help me on that?

**Mr Whitehead:** Yes. If memory serves me, the British Columbia government recorded a fairly large surplus last year, but it was unexpected and so part of that money went into a fiscal stabilization fund. They took some money out of it this year in order to record a surplus. That is part of the reason they have a surplus this year, or are expecting a surplus or at least a balanced budget this year.

To answer the other question about whether they separate capital and current account, I do not believe they do. I think they have balanced both. In other words, their current revenues have equalled their capital and current budgets.

**Mr Reycraft:** Essentially they are using the same reporting system we are then.

**Mr Whitehead:** Yes, I believe so.

**Mr Reycraft:** You also made the comment early in your presentation that restraint on expenditure growth in the year ahead would help the government to meet budgetary problems in the next three to four years. Have you speculated on what those problems are and how restraint now makes it easier to deal with those?

**Mr Whitehead:** In some sense I have relied a bit on what the grey book has presented, and that is that down the road you are going to face some revenue growth that will not keep pace with your expenditure growth. Part of that I think they attribute to the declining role of federal transfers and part of it they see as a natural slowing in the economy although expenditures, being related to population growth, will continue to grow. In a sense you have a continuing problem on the expenditure side and yet your revenue side only responds to the economy to about 70 per cent. That is their estimate.

In any event, you always have to consider the problem that perhaps revenue growth will not be as strong in the future and that there will not be room for raising taxes or whatever. I would say expenditure restraint now is fiscally prudent for down the road when it may not be as easy to enact.

**Mr Morin-Strom:** One of the indicators the business community, but also individuals, looks at a lot and is very concerned about is where



interest rates are going and related to that, I guess, where the Canadian dollar is going. I wonder if you could give us some comments in terms of what you see over the next year.

**Mr Whitehead:** Our forecast has short-term interest rates falling over the next six months or so, perhaps by about 100 to 200 basis points, in that sort of range, and after that through most of the rest of the year staying fairly level, whereas bank prime right now is about 13.5 per cent and might be as low as something about 11.5 per cent by the end of the year, but staying there fairly stable. Of course the question mark in there is how the GST affects the economy and whether there are spikes in demand and that sort of thing and how the Bank of Canada reacts to those. There is considerable uncertainty towards the year's end.

On the other aspect, the Canadian dollar, we see the Canadian dollar as overvalued at this point. It is primarily being driven by interest rate differentials between Canada and the United States. As those differentials narrow through the rest of the year, the Canadian dollar will probably decline. Our target is something towards the nature of about 82 cents by the end of the year from its current 85 cents or so.

**Mr Morin-Strom:** In terms of Bank of Canada policy, do you think we should be setting interest rates in order to maintain the Canadian dollar at a fairer value? You are suggesting 82 cents is a fair assessment as to what the Canadian dollar really should be. Should we be attempting to get it at that level and then keep it stable?

**Mr Whitehead:** No. I think the Bank of Canada should focus on domestic policy and domestic credit demand and let the dollar fall where it may, or rise where it may; I guess that is possible. I think that if the Bank of Canada tries to focus on the external value of the Canadian dollar, too many other things get out of whack. It really should focus on domestic issues, which is what I think it is doing. The rise in the Canadian dollar is perhaps an unhappy consequence.

**Mr Morin-Strom:** Finally, I wonder if you could give us some projections for some key industries in Ontario. The ones I would like to ask about anyway are the auto industry, the steel industry and the area of forest products.

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**Mr Whitehead:** Our outlook is that car sales will have a weaker year this year. I do not think there is much doubt in anybody's mind about that. We are looking at Canadian sales in the range of about \$900,000 to \$925,000, which is

the first time, with the possible exception of last year, it has been below \$1 million in the last five or six years. There is some weakness there, but we do not see the bottom falling out of the market. The layoffs, for the most part, have been temporary. We think there is just a slow period that will have to adjust from some excess inventories right now.

The steel industry is going to face somewhat the same problem inasmuch as it is tied to the automobile industry. It also has to contend with the fact that overall business investment will be somewhat weaker in 1990 and 1991. If it is slower, it will be weaker again. So there is some softness on the steel industry side.

As for forest products, being one of the most cyclical industries, it usually suffers the most during a slowdown such as the one we are anticipating. However, I think their emphasis on cost cutting and efficiency and the decline of the Canadian dollar that we are anticipating will probably see them weather this as just a slow period rather than a severe downturn.

**Mr Daigeler:** Thank you again for sharing your views with us, which are a bit more optimistic than the other bank this morning. I guess it is good to hear that.

My question is, what is your philosophical stand or practical stand, whatever you want to call it, to debt financing of capital expenditures?

**Mr Whitehead:** The simplistic answer is that a bank does not oppose debt; in fact, we make our money that way. Our view is that in your capital expenditures you expect a stream of benefits to arise over a number of years, and to try to pay for them entirely out of current expenditures is probably not advisable as a general rule. In cases where the economy is very, very strong, you may be able to do it, but as a general rule I would say they should try to match the payment for capital expenditures with the benefits of capital expenditures.

For example, if you build or enhance the road system and the economic benefits from that improved road system are spread over, say, 10 or 20 years, then I think you should try to pay for those over some of that period. I would say it is fiscally prudent to aim for something shorter. If the benefits are going to accrue over 20 years, then I would say aim for 10 years and you are staying on the safe side. That necessitates the use of debt to finance some of your capital expenditures.

**Mr Daigeler:** There is quite a debate under way on this question, especially within municipalities. It seems to go counter to the pay-as-you-

go philosophy, which has worked quite well. Is the view that you are expressing here the one generally used by people in your position?

**Mr Whitehead:** I think the view generally espoused by people in my position is one of distrust of government, so they argue, "Pay right now," because you are never sure that it will pay later.

**Mr Faubert:** Or at least in 90 days.

**Mr Whitehead:** I cannot really speak for the wide view of how people would perceive that. I think the municipalities may have a slightly different view in that their credit costs are a bit higher and they probably see that burdening themselves with debt over a bit of a longer term is a problem more than for a large borrower such as the province. So they might have a slightly different view.

**The Chair:** They do not trust us either. Anything else?

**Mr Daigeler:** Just to say that certainly in my area this is a very contentious issue. I try to put the view forward that you just did. I guess they are in the fortunate position of having been able to fund some of their capital projects out of current revenue and they are almost debt-free.

**Mr Haggerty:** I have a little bit of concern about it here too. On page 9 you suggest that "the government should aim to record another large surplus on its current account in 1990-91," and then you go on at the bottom of the paragraph that "it should accomplish this by expenditure restraint and not through any addition to the already heavy tax burden of the economy."

The policy that is carried out by different states, for example New York state, is to finance much of their government programs on debenture issues. Are you suggesting that Ontario should be financing—the municipalities would do that. They spread it over a period of 10 or 15 years and that is how they carry off many of their programs such as improvement on the infrastructure in the municipality. Are you suggesting that the government should do that instead of hitting with taxes every year, and spread that out over a year? In the long run, persons 10 years down the road who are perhaps coming into the marketplace for employment will be paying some of the cost of those works, and they are getting the benefits out of it.

**Mr Whitehead:** Let me answer in two parts. The first one is that I would make an analogy, if I do not sound too much like a business person, to a corporation or a business of any sort. If they tried to cover all their costs, both short-term and

capital costs, by raising their prices high enough to pay for it in that year, if they tried to cover all their costs in a single year, even though some of those costs are related to many, many years, the prices would probably be too high for them to make any money. In fact, businesses typically borrow money and they typically expense capital expenditures over a number of years. The reason they do that is that otherwise, in order to raise the revenues, their prices would be too high.

Similarly, a government that tried to pay for all its capital expenditures in the year they are incurred, as a general rule, or as a hard and fast rule perhaps, would end up having taxes too high to attract any businesses to locate in the province. My initial reaction is that you have to spread out some of those costs and tie them as close as possible to benefits.

The second part of my answer is, when you are talking about the person entering the workforce 10 years down the road, I suggest that he is going to be benefiting from that road that was built 10 years earlier just about as much as the person 10 years earlier was benefiting, so it would seem entirely appropriate that he should pay some of those costs too.

**Mr Haggerty:** Ontario Hydro provides the same type of financing. They go out and build a new nuclear plant and base it over what, a 15- or 20-year payback. If they did not do it that way, they would be broke.

**Mr Reycraft:** You project that interest rates will decline by 200 basis points before the end of the year. We expect that a seven per cent goods and services tax will come into effect 1 January. Will the combination of those two things have a direct impact on the housing market?

**Mr Whitehead:** Interpreting the impact of the GST on the housing market is a bit difficult in the sense that I think there is a popular perception of what impact it will have on the housing market and there are the government's own estimates of what it will add to a house. My sense is that the GST will be a big impetus to house building in 1990; that is, prior to the tax.

**Mr Reycraft:** In building in 1990 or in sales in 1990?

**Mr Whitehead:** In building in 1990. There may also be some impact on sales in as much as people view the seven per cent tax as adding seven per cent to everything in 1991. I am talking about perhaps a misconception that exists in the market, but I think those misconceptions can drive a lot of economic activity. I would say that that tax on the horizon will cause people to

perhaps spend more in the second half of 1990 than they would otherwise, and part of that may be on housing, both new and existing.

**The Chair:** Thank you very much, Mr Whitehead. We appreciate your candour in your report. It will certainly help us in doing our job. Thanks for coming.

Our next groups of presenters is the Toronto Board of Education: Antonio Silipo, the chair; Pam McConnell, vice-chair, and Ann Vanstone, chair of the finance committee. Welcome this afternoon. It is nice of you to come, and we look forward to your brief. We have set aside about 30 minutes for your presentation and questions and would like to stay within that boundary if at all possible.

**1430**

**Mr Silipo:** We will do our best to accommodate.

**The Chair:** Actually, it is not you I am worried about.

**Mr Silipo:** I know the problem.

#### TORONTO BOARD OF EDUCATION

**Mr Silipo:** I would just like to acknowledge that in addition to Pam McConnell, the vice-chair, whom you have acknowledged, and trustee Ann Vanstone, the chair of the education finance committee, there are two of our senior staff people here with us: Dr Linda Grayson, who is our associate director of operations, and somebody whom I gather is familiar to at least some of you here, a new addition to our staff, Ron Trbovich, the controller of finance for our board.

The Toronto board appreciates the opportunity to present its views to the standing committee on finance and economic affairs in respect to the forthcoming budget of the Ontario government.

In our 27 September 1989 submission to the select committee on education, the Toronto board called for a system of educational financing that is both fair and predictable. What we have instead is unprecedented uncertainty and the systematic erosion of program moneys by both the provincial and federal governments. Every single budget action of these governments during the past two years has, without exception, increased the costs of education and increased the share of these costs borne by the local property taxpayer. We cannot emphasize that point enough. With this context in mind, we turn our attention to the Treasurer of Ontario's announcement of the 1990-91 transfer payments to the local government sector.

The 1990-91 transfer payment: Last November the Treasurer of Ontario announced an 8.7 per cent increase in operating grants to school boards for 1990-91. He also announced an eight per cent increase in transfer payments to municipalities. For municipalities, the information contained in the Treasurer's announcement can be relied upon as generally straightforward and complete.

In recent years, however, this has not been the case for school boards. Last year school boards received an increase of 6.1 per cent in the general legislative grants, or the GLG, allocation, representing four per cent for inflation and 2.1 per cent for the cost of implementing the province's 1987 throne speech initiatives.

Most boards assumed that their operating grants would increase, on average, by four per cent and therefore planned accordingly. However, most grants within the GLG are based on enrolment. What last year's announcement failed to mention was that there would be no additional provincial funds provided for enrolment growth in the education system.

The result was an actual decrease in the province's basic per pupil grant, a further drop in the provincial rate of support for education funding and double-digit mill rate increases in local property taxes. This was at best unclear and at worst misleading. It is with critical interest that we view, therefore, this year's transfer payment announcement.

**Pooling:** In support of the transfer payment announcement, the Minister of Education provided additional information. He said that the \$363-million increase includes \$30 million to address the impact of the first year of a six-year phase-in of pooling. The government has made the commitment that no public school board will experience a financial loss as a result of pooling. This commitment raises several critical questions.

Will the \$30 million earmarked for pooling in the first year fully compensate the public system in general and the Toronto school board in particular? Will the commitment be honoured over the remaining five years of the phase-in? Will the government compensate those public boards that are still in a net-loss revenue position after pooling has been fully phased in? Is the \$30 million truly additional funding, as the government promised, or is it at the expense of the public system?

We will be monitoring this closely. If the provincial rate of support for education falls, we will know that the cost of pooling has been



funded at the expense of the basic education program, the GLG. In other words, public school boards and their ratepayers will have, in fact, borne the total cost of pooling. While it remains to be seen whether this government will honour its promise to fully compensate public school boards for lost tax revenues as a result of pooling, the \$30 million is the only amount identified in the Minister of Education's transfer payment statement.

Other GLG concerns: The Minister of Education went on to say that the Treasurer's 8.7 per cent increase in the GLG includes:

An unspecified amount of money for the government's 1987 and 1989 throne speech initiatives, many of which are costly, mandated programs. For example, all-day kindergartens and smaller class sizes all cost additional money. How can boards plan for the future when the province mandates change without consultation and without any clear commitment to fund its own initiatives?

An unspecified amount of money from the province's basic per pupil grant to school boards was less in 1989 than the previous year. Since 1985, school enrolments have been increasing approximately two per cent per year. Baby-boomers are now parents of school-aged children. The Toronto board's enrolment has remained steady but will grow in the next few years with planned residential development.

As noted earlier, if annual enrolment growth in the system is not fully recognized in the general legislative grant, then the basic per pupil grant will decline. In effect, the province's rate of support for education will continue to fall, and the declining provincial share of funding education will have to be borne by the local property taxpayer.

Of significance and grave concern to school boards is what was not mentioned in the government's transfer payment statements. No information on or identification of the amount of additional provincial grants, if any, was provided for such things as inflation. In Toronto we are looking at an increase in the cost of goods and services of more than six per cent over the last year.

The provincial employer health care tax: The increased cost to the Toronto Board of Education is estimated at about \$4 million in 1990—\$4 million that would otherwise have funded 76 teachers to further reduce class sizes, or 100 educational assistants and expanded nutrition programs to bolster Toronto's objectives in the area of compensatory education.

English as a second language: Each year, Metropolitan Toronto receives nearly 25 per cent of all immigrants who choose Canada as their new home. Many of these families and their children become part of our school communities in the city of Toronto. The registrations of new Canadians almost tripled between 1986 and 1988. To accommodate this increase, 390 teachers were added, an additional expense of over \$16 million. These costs will continue to rise dramatically. Without provincial support, increases in ESL programs will, of necessity, be funded at the expense of the basic per pupil grant or not at all. In either case, the local property taxpayer will have to bear this additional expense.

Inflation, the provincial employer health care tax, the shortfall in funding for ESL, provincial pay equity legislation and other costly, provincially mandated initiatives are placing an intolerable burden on the local taxpayer. We would urge that sufficient provincial funding be found to help offset these additional unforeseen costs.

We expect the Treasurer of Ontario and the Minister of Education to fully disclose the impact of the increase in operating grants on school board mill rates. Otherwise, how are we to assess the impact of the government's transfer payment announcement on the funding of our education programs?

It is clear that the 8.7 per cent increase in operating grants to school boards will fall short of the required funding to maintain the quality and delivery of existing education programs. The Treasurer of Ontario and the Minister of Education know very well that additional expenditure pressures will arise for school boards in 1990 as a result of provincially mandated education initiatives and provincial budgetary measures.

**Ms Vanstone:** Double-digit mill rate increases for a second year in a row: The Ontario Public School Boards' Association has concluded that the province's 8.7 per cent increase in operating grants for school boards means that local property taxpayers will have double-digit mill rate increases for a second year in a row. In our view, the tax increase for Toronto ratepayers may even be higher than elsewhere in Ontario.

Last year, the province contributed \$10.4 million to the \$1.678 billion required to fund public education in Metropolitan Toronto. In fact, provincial support for public education in Metropolitan Toronto was three fifths of one per cent of the Metropolitan Toronto School Board's 1989 budget.

For 1990, given our analysis of the Treasurer's transfer payment announcement, Metropolitan Toronto public school boards will receive no provincial grants. In other words, the entire cost of public education in Metropolitan Toronto will be borne by the property taxpayers of its seven public schools.

Toronto's property tax base has not grown at the same rate as the provincial average of four per cent for the past few years. In the city of Toronto, the figures are, 1986-87, 1.1 per cent increase; 1987-88, 1.5 per cent increase; 1988-89, 2.7 per cent increase—less than the provincial average.

While new assessment dollars have been added to the tax rolls, these increases have been eroded through losses in commercial and industrial assessment appeals. Residential property taxpayers in Toronto have had to bear increased taxes that otherwise would have been borne by corporate ratepayers who successfully appealed their tax assessments. In any event, real growth in Toronto's property tax base has been less than the provincial average, and our residential ratepayers have been hard hit as a result.

Offloading provincial financial obligations on to property taxpayers unfair/unethical: It is the position of the Toronto Board of Education that the province has forced it to rely upon the property tax as the sole source of revenue to fund its educational programs and services. This provincial action discriminates against the public school taxpayers of Toronto. It is unfair.

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Toronto taxpayers have contributed hundreds of millions of dollars to the province's consolidated revenue fund in the form of consumption and income taxes. The province has a moral duty to return some of these taxes to Toronto's public education system in the form of operating and capital grants. Given the priority assigned education by the Premier (Mr Peterson) and given his commitment to the work of the Premier's Council, his government has a moral obligation to financially support Toronto's public education system.

Even if the province had not offloaded its financial obligations to the extent that it has, the Toronto Board of Education would still view with concern the property tax burden on low- and moderate-income families, seniors and other people on fixed incomes.

The province provides two measures to help offset the burden of property taxes on these groups: the Ontario tax credits claimable as part of the federal income tax return and Ontario's property tax grant for seniors. Since this govern-

ment took office, the Treasurer (Mr R. F. Nixon) has not adjusted the Ontario tax credit provision to reflect the increasing magnitude of the property tax in personal budget terms. While the Ontario property tax grant for seniors was increased in 1985 from \$500 to \$600, today this amount is woefully inadequate. The Toronto Board of Education strongly recommends that the Treasurer increase to realistic levels, without delay, the Ontario tax credits and grants for seniors and low- and moderate-income families.

There are many ways in which the government could enhance its grants to support public education in Metropolitan Toronto. Two of these are elimination of negative grants and improved grant ceilings to reflect the real costs of education.

In 1989, general legislative grants provided in part the following estimated grants to the Metropolitan Toronto School Board: special education, \$46.5 million; compensatory education, \$25.7 million; French as a first language, \$0.5 million; French as a second language, \$6.8 million; English as a second language, \$18.9 million; reduction in class size, \$10.2 million; textbooks, etc, \$3.8 million; programs in lieu of provincial services, \$5.6 million; programs in approved care facilities, \$11.3 million; continuing education, \$21.2 million; heritage language, \$4.1 million; cost of education and miscellaneous, \$17 million, for a total of \$171.6 million.

But in fact what we got was the equivalent of three fifths of one per cent of the Metropolitan Toronto School Board's total budget, the result of some theoretical, convoluted mathematical exercise with the GLG. The prospect for 1990 is zero provincial grants. Surely there must be some way to allow this money to flow to Toronto public education.

Grant ceilings may be defined as the province's estimate of the cost of providing each pupil with an adequate basic school program. Even though the Ministry of Education has adjusted the ceilings annually, at a rate equal to or greater than the rate of inflation, including salary settlements of the school boards with their teachers and other employees, more than 95 per cent of all school boards in the province are spending beyond the ceilings or approved levels of expenditure.

The current grant ceiling recognizes less than two thirds of the cost of educating a pupil in Metropolitan Toronto. The 1989 provincial per pupil grant ceiling was \$3,235 in elementary and \$4,122 in secondary; in Metropolitan Toronto it



was \$5,245 in elementary and \$7,165 in secondary.

The Toronto board urges the Minister of Education (Mr Conway), in consultation with key stakeholders in the education community, to undertake a fundamental review of the current ceiling to determine the real costs of education and that the new ceiling mechanism be implemented in 1991.

**Ms McConnell:** Capital funding: The Toronto board is confronted with the urgent need for significant capital funding in the next decade because of major housing redevelopment projects proposed for the central area of the city and because of the critical necessity of renovating or replacing a number of ageing school buildings. Indeed, it is anticipated that over the next 10 years planned residential growth in downtown Toronto will equal the current size of the city of Barrie.

As one of its ongoing priorities, the Toronto board dedicates more than 18 per cent of its budget to school capital maintenance, renovations and additions. For this purpose, the Toronto board has on staff a very large number of skilled construction trades fully deployed to ensure the safety and maintain the viability of its ageing school facilities.

The 1990 capital expenditure forecast of the board for 1990 to 1994 is as follows: growth-related, nine projects, \$34.6 million—and if you will note at the bottom, I will make a correction as I read it: the nine growth-related projects do not include all new school facilities required for major redevelopment, such as the railway lands, Harbourfront and Ataritari, which will increase the city's population by more than 40,000.

It does, however, include some of our preliminary understanding of that: site acquisition, various, about \$20 million; additions, eight projects, \$31.3 million; fire safety improvement, 29 projects, \$15.9 million; handicapped access, three projects, \$1 million; roofing, heating and ventilation at various locations, \$15.9 million; renewal, renovations, 21 projects, \$160.4 million, and replacement of schools, eight projects, \$50.2 million.

Given this \$300-million pressure on the Toronto taxpayer, it is worth noting that the province only allocated \$4.9 million for one project in Scarborough when it announced in April 1989 a four-year provincial capital allocation program of \$1.2 billion.

Under the auspices of the Metropolitan Toronto School Board, the Toronto board has financed, without provincial support, many capital pro-

jects, but it will find it increasingly difficult to do so in the future. The Toronto board cannot on its own address the more than \$329-million capital program required to maintain, renovate, renew and replace its ageing capital infrastructure.

If the Toronto board were to undertake a major renewal or replacement of every school in its system every 100 years, it would cost in current dollars \$2 million per month, and this amount does not take into account unforeseen safety, emergency repair and structural problems nor in the systems upgrades for heating, ventilation, etc, required in this 100-year time frame. It is worth noting that a 35-year cycle is deemed appropriate by the Ministry of Education to qualify a school facility for major renovation or replacement.

The Toronto board requests that the province create a separate renovation, renewal and replacement school capital fund distinct from a growth-related capital one and ensure that the Toronto Board of Education receives its fair share of allocation from that fund.

In conclusion, the public education system of this province is the only system charged with providing universally accessible educational opportunities for all learners regardless of their ethnic, racial or cultural backgrounds, social or economic status, age, individual exceptionality or religious preference. This mandate is crucial in a democratic society. This mandate requires special recognition for public education within the province's education funding scheme.

#### 1450

The government must understand that it cannot separate the question of financing education from the issue of quality programs without destroying the very fabric of our public education system. Since this government took office, we have seen an annual decline in the province's rate of financial support for public education in Metropolitan Toronto.

For too long local boards, local property taxpayers and parents have quietly worried about this trend. The Toronto board has developed an action plan. We will soon be holding meetings across the city with parents and ratepayers to explain to them the extent to which the government has let them down. The government must be held accountable for its underfunding of public education in general and, in particular, for its zero financial support for public education in Metropolitan Toronto.

**The Chair:** Thank you very much. We have about seven or eight minutes, if there are any questions, members.



**Mr Faubert:** I just have one question. I have always wondered this about the city of Toronto, especially in light of the fact the province has now allowed for the opportunity for generating capital from development growth with the legislation. Does the Toronto board not bid in to levying against development for capital, or does it not have the opportunity of doing that?

**Mr Silipo:** I guess there is some uncertainty as to whether we would be eligible to use the lot levy legislation, that is, if I am understanding the question. Certainly on whatever new development there will be, our understanding is that we would be, although it is also clear that would have to be done through the Metropolitan Toronto School Board, of which we are a member.

We are, however, reluctant to have to rely on that kind of legislation to be able to fund our capital programs because in the end, and we have stated this in an earlier presentation that we made to one of the committees here at Queen's Park, -we believe that kind of move simply passes the cost on to the home buyers and does little in fact to assist with the ongoing problems of financing capital growth and needs.

**Mr Faubert:** But the city of Toronto is not involved in simply home development; it is involved in huge commercial-industrial projects. You do not gain any benefit from them and yet you are expected—one thing is Harbourfront and the population growth within it but also its commercial investor growth. You have not negotiated with the city in any opportunities for redeeming capital from that?

**Mr Silipo:** We have not got into any detailed discussion, subject to anything that any of the other people here or staff may want to add with respect to that, no.

**Ms Vanstone:** I think we probably will be in negotiations with the city about those new projects. The new projects will be a problem coming along when you see the size of the community. It is really almost a city within a city that will be developed downtown. But there is no availability of course of lot levy to us for the renewal of our ageing buildings. This is a very major problem.

**Mr Faubert:** I appreciate that point. That is a separate issue again, and I appreciate that because they are built in developed communities. Yes, okay. Thank you.

**Mr Daigeler:** As a former schoolteacher myself, let me tell you what my, hopefully unsubstantiated, fear is if the government simply

increases the general legislative grants. Perhaps the first thing that would go up would be the negotiated settlements. I am just wondering what your reaction is to that.

**Mr Silipo:** I am not sure that would be the case. I think the pattern we have had, if you look over the last number of years in Metropolitan Toronto, is that negotiated settlements have been fairly reasonable vis-à-vis the increase in the cost of living and other factors like that.

I do not think that would be something that would follow from increased provincial grants. What I would expect would follow from increased provincial grants or from a change in the ceilings would certainly be more ability on our part to be able to improve, on the one hand, program delivery and, on the other hand, to try to maintain the increase in property taxes to a more reasonable level than what we are looking at and what we have been looking at over the last couple of years.

**Ms Vanstone:** I do not really think that would impact us dramatically. Generally when we are negotiating, we are pretty well constrained by the other negotiations that go on around us in Metro Toronto, and they are not just school boards. They are private industry and public sector. We have negotiated with staff here at Queen's Park, things like that. That is what we use to guide us. I cannot think that in the last little while we have settled, nor would we normally try to, at a level higher than that.

I really do think that if there was a realistic look given at the GLGs, we would probably use that money to fund some of the programs this government has mandated on us in the last couple of years and some of the ones that the throne speech of last year perhaps would like us to be looking at, such as all-day kindergartens. We have not had an opportunity to do that yet.

We are probably not going to be able to do it for the following reasons: (a) the financial burden; (b) we have no room in our schools, and (c) there is going to be very quickly, if there is not now, a scarcity of teachers. I think that if there was a realistic look at the GLGs, we would be looking at that kind of thing and I think your fears are a little unwarranted.

**Ms Hošek:** My question has to do with the ethnic diversity of the city of Toronto in particular. Clearly, we get more of the people from all over the world who come to Canada than anybody does. I have always wondered exactly how it is that the province or even if the city is required to carry the burden for decisions about

immigration that are made at another level, except they all arrive here and I am glad they do.

Have you thought about what would be an appropriate way to recognize that diversity in terms of support from another level of government, either ourselves or the federal government or both? There are two costs here. There is the cost of immigration and there is the cost of settlement.

**Mr Silipo:** Exactly.

**Ms Hošek:** Clearly the cost of settlement in the school system is a very high one. Do you quantify that in some way? How do you work it out?

**Mr Silipo:** I think you could do it. Obviously any kind of quantification is never exact, but I think it could be done in a reasonable fashion. When we talk about the government needing to take a realistic look at the grant ceilings, that is also what we mean because we recognize that it may very well be that there are different costs, as indeed there are now, associated with different parts of the province. What you identify is one area in which we believe that there are additional costs in the overall system, in the overall education that we provide for our students in the city of Toronto and in Metro Toronto in general, that need to be recognized and I think can be quantified to a large degree.

Therefore, in having the government look at a more realistic figure that would become the general legislative grant, a per-pupil ceiling, then those are the kinds of things that would have to be taken into account, in our view, in calculating that. We certainly have lots of information that we would be more than happy to share with the government on those points, but we think that in fact there has to be lots of consultation between the government and school boards which are in the best position to determine what effect and to be able to show what in fact the real costs of educating students are in the particular jurisdictions and then to try to arrive at a more realistic figure based upon those discussions.

**Ms Hošek:** So you have the data, but the full analysis has not really been done, but you know that it is there.

**Mr Silipo:** We know it is there. We have done some analysis, but we probably have not done as much as needs to be done.

**The Chair:** It is interesting to me that many of your recommendations will turn up also in the select committee report.

One of the issues that we wrestled with a great deal was the fairness and equity issue and that

convoluted formula that you referred to and then how you deal with the boards that generate large revenue from their assessment base versus the ones that do not and try to deliver an equality in education: one kid, one system, one learning basis, so to speak. It is not an easy problem to wrestle with, but many of your recommendations are very similar to ours.

**Mr Silipo:** Yes, we were heartened actually by a number of those recommendations in the select committee report because of exactly what you said. What I guess I would just add is that if the government is going to pick up on those recommendations and in fact begin the kind of consultation or discussion that is envisaged there in terms of doing a review and trying to arrive at the real costs of education, my hope would be that is something that is taken rather seriously by the government and that is proceeded with relatively quickly, because we are, as we have indicated, in a situation where we are looking at zero provincial grants for 1990, which will then only result in double-digit property tax increases again in the city of Toronto. It is something we are no longer in the position of being able to do anything about, but we have to try to explain to our property taxpayers why that has happened.

1500

**The Chair:** You wanted to add something?

**Ms McConnell:** Yes, I did actually. We have always, I think, felt a similar way in terms of other children in other jurisdictions throughout Ontario. We have been very aware of the richness of our base but we are getting to a point, and perhaps reached the point several years ago, where we are worried about the decay of our good education system.

I think that has to be recognized as a real problem. If the city of Toronto is beginning to worry in that sense about the decay of buildings and the erosion of programs that we are looking at, and the concern of our tax base and our taxpayers to be able to afford to contribute to our school system in that sense, then I think it gives an indication of the sort of problems that are going to go on in the rest of Ontario too. So I would hope, and perhaps plead that the government recognize these problems and begin to address them or we are going to have a very serious problem in terms of education and the delivery of education in this city.

**The Chair:** Mr McLean, very briefly; we are out of time.

**Mr McLean:** Very briefly, one of the issues in your report has been ongoing and I can see the

concern you have raised. Something that has been bothering me for a long time. I have heard a lot of different reports on it. What does a trustee on the Toronto Board of Education make today?

**Mr Silipo:** Current salary is \$46,400 and something.

**Mr McLean:** I thought somebody said it was \$20,000 and then somebody said it was more than that.

**Mr Silipo:** No, that salary was in effect as of 1 December 1988, following the last election.

**Ms McConnell:** It includes our tax-free allowance.

**Mr Silipo:** Sorry; it is \$44,600. I had the numbers switched.

**Ms McConnell:** It is less than yours, put it that way, a lot less than yours.

**The Chair:** No, not a lot.

**Ms McConnell:** About \$20,000.

**The Chair:** We are technically out of time but Mr Reyecraft has a brief nongenerative question.

**Mr Reyecraft:** Do you know what the education property tax is per residential unit in your city?

**Ms Vanstone:** The average? Is that what you are talking about?

**Mr Reyecraft:** Yes. I just want to get a handle on what it means in dollars and cents.

**Ms Vanstone:** The average we think of as being about \$6,000 or \$6,500.

**Interjection:** That is the average assessment.

**Ms Vanstone:** Assessment; I am sorry, considering that we are not yet, at least, on market value. The average tax would be \$2,200.

**Interjection:** In total.

**Ms Vanstone:** In total.

**Interjection:** About half is left, about \$1,100 or \$1,200.

**Ms Vanstone:** Okay, about \$1,200 for education.

**Mr Silipo:** About half of the property tax would be for education.

**Mr Reyecraft:** So it would be about \$1,200 per residential unit.

**Mr Silipo:** That is taking the average.

**The Chair:** Thank you very much for coming. We appreciate your brief and we will take it into account when we write our report.

Our next presenters are from the Ontario Hospital Association. I understand Gordon Cunningham, president, and Duncan McAlpine, chairman, are in attendance this afternoon.

Welcome and thank you for coming. There appear to be additional folks with you. Perhaps you could introduce yourselves and them. We have set aside about 30 minutes for the presentation, including questions from the committee, so we would ask you to begin whenever you are ready.

#### ONTARIO HOSPITAL ASSOCIATION

**Mr McAlpine:** Mr Chairman, obviously you have a steady stream of supplicants here. We will make our presentation as briefly as possible so that it will allow you and the members of your committee to ask us questions you may desire.

Might I first, however, start by introducing our group that is here today. First of all, I am Duncan McAlpine, chairman of the Ontario Hospital Association. I come to the hospital association through the Salvation Army hospital system and am a member of the Salvation Army Metro Toronto Advisory Board. I am a trustee of the Toronto Grace Hospital.

With me on my right is Gordon Cunningham, the president of the Ontario Hospital Association and an officer known, I am sure, to many of you, having served many years as our president. We also have on his right Hilary Short, our general manager of public affairs and communications, who plays an integral role in the development of our approach to funding and to capital structure generally. We have Kip Herring on my left, who is our director of financial and management services, who also was very helpful in providing us with the necessary research on which we made our initial presentation to The Treasurer (Mr R. F. Nixon) in the fall, and follow-up through various meetings such as this.

I should first like to say that we are very appreciative of this opportunity to speak with you and to present to you our concept of hospitals' operating and capital funding requirements for the coming fiscal year. As I suggested, we have made our funding submission to Mr Nixon and some of you may know he had no quarrel with our figures at all. As a matter of fact, he is quoted as having said: "The people on hospital boards don't get paid. They are there on a community service and it shows. I am not arguing with their numbers." He did not quarrel with our numbers, but obviously, for factors other than our own circumstances, we had been led to believe that the total global funding would not be what we had anticipated.

Perhaps, because I believe you are in possession of our formal brief, we might cover one or two salient points in that brief through some



remarks by myself, followed by your questions if you wish.

First, with respect to operating funding, in the area of operating funding we are deeply concerned that a service gap is being created as hospitals' ability to meet patient needs is being reduced faster than the alternative services being created under the preventive strategy of the government. We are very supportive of changes in the health care system, any changes that would make services more adequately available for people to receive more quickly in the right place at the right time, and of course reducing the stay in hospitals in the process. However, we take the position that such services are not at present widely available and the hospitals still remain the major health care providers, outside, of course, of the physicians' offices.

This year the provincial funding commitment for hospitals we estimate to be \$138 million below what is required to maintain hospital services at existing levels. As your brief will show, \$120 million of that \$138 million deals with the employer health levy, pay equity, the requirements for the hazardous waste management systems in the hospitals and some extraordinary funding.

There is also \$18 million worth of what might be termed a general shortfall in economic adjustments. I can well appreciate that it does not appear very major for a \$6.5-billion hospital system in the context of being short by \$130 million. I would point out, however, that hospitals have few other sources of revenue. They only have one mission and that is very important, the quality of patient care.

Perhaps we might put this shortfall into some context. The magnitude of the funding shortfall can be thought of in terms of the average hospital which would be faced with a \$1.2-million budget deficit if its services were not realigned. We believe the most significant order of magnitude of this funding shortfall will be its impact on patient services. The average acute patient case, from arrival at the hospital to going home, costs some \$2,000. Therefore arithmetic would tell us that a shortfall of \$130 million is equivalent to 6,500 acute care patients.

However, in a large system such as ours in Ontario, we must not forget that these numbers are not abstractions. They are people who require health services and who have family and friends wishing them a speedy recovery. These people are the public and I would presume, like the provincial government, they rely on hospitals to meet their health care needs. I would not suggest

that all of these people will not receive necessary health services, far from it; however, without adequate funding these are the people who may fall into what we term the service gap who will be placed on waiting lists, who may seek care elsewhere or who will simply be underserved.

### 1510

What is peculiar about the funding shortfall and what this committee of provincial legislators might appreciate is that the shortage of money is largely attributable to a small number of provincial government decisions that directly increase hospital operating costs.

I would point out that in the three fiscal years from 1988-89 to 1990-91, unfunded government-imposed costs on the hospital system totalled \$233 million. This coming fiscal year, the cost to hospitals of government policy decisions, primarily the employer health levy and pay equity, is \$120 million.

As you will have noted perhaps from our brief, as a means of directing more hospital funds to patient care, OHA proposes exempting hospitals from the employer health levy in addition to seeking a \$52-million increase in operating allocations. We believe hospitals should be exempt from the employer health levy. I am sure perhaps other people have told you the same thing.

Why should hospitals take that position? Simply because hospitals are tax-supported institutions that have few other independent sources of revenue. It is a long-established practice that publicly funded institutions are tax-exempt. In fact OHA at the very moment is working with the provincial Treasurer to ensure that hospitals are exempt from the proposed federal sales tax. Successive federal and provincial governments have studiously observed tax exemption for the health care sector and we are here today to defend that tradition.

I am sure we would all agree there's no merit in the province expending the resources required to grant money to hospitals so that in turn hospitals can pay taxes back to the province. The redundancy of this cheque exchange evident in the case of the employer health levy if hospitals are not exempt from the EHL, the province would be obliged to provide hospitals with sufficient resources to pay a tax that is raising revenue to support hospitals.

There is a supplementary issue here, even though there may be a wash, if that's the final decision. Such a wash would create extra administrative burdens on hospital and Lord

only know, hospitals do not need any extra administrative services to support.

Perhaps we might consider further the financial impact of the exemption from the two per cent employer health levy. If not exempt from the tax, the total of the EHL payments from hospitals to the province would approximate some \$86 million. However, the net value to hospitals, as can be shown in our brief, of an exemption is approximately \$48 million, or the amount previously paid as OHIP premiums. The \$38-million difference between these figures is the additional money the province would have to grant hospitals to enable them to pay the provincial tax.

I would like now to turn to the subject of capital funding. Hospitals sincerely appreciate the ministry's allocation of \$250 million for capital projects for the 1990-91 fiscal period. However, as many previously approved projects have been on hold and the province's new policy direction for capital is yet to be put in place, the real adequacy of that sum, indeed for this year only, of his support cannot be adequately determined.

However, the recently announced capital planning criteria of the Minister of Health (Mrs Caplan) do not adequately deal with the issue of updating or retrofitting hospital facilities to meet new building and fire code requirements, and this is a very important issue. As retrofit requirements are now law, I believe, as does our board of the association, that it is incumbent on the government to provide without further delay the funding required to refurbish plants and facilities to conform to building and fire code regulations.

While we do not have full data on the total need at the moment, discussions with a number of hospital chief executive officers indicate that the total dollar requirements for retrofit alone could exceed the \$250 million in capital funding announced by the minister in November.

Hospitals of course share the Minister of Health's view that innovative approaches to providing health care are required. We have to get on with some innovation because there is not a sufficient tax base in this province, nor the will of the taxpayer to pay for the burgeoning health costs which can be envisaged if we do not change, but at the same time hospitals must have adequate capital to bring their facilities up to safety standards.

We are pleased to have this opportunity to discuss hospital funding requirements for 1990-91 with your committee and we are committed to being a co-operative partner in meeting the

challenge of a healthy Ontario. However, we would stress that a reorientation of health services to prevention and in-home care cannot be accomplished simply by constraining hospital budgets and forcing service reductions.

Hospitals are under severe financial pressure, which limits our ability to meet the needs of patients while alternative support systems are being developed in the community. Our association is keenly aware of the importance of controlling health costs and of making the most effective use of the resources allocated to us. However, we can ill cope with government policies and programs that impose costs on hospitals' operating and capital budgets without additional funding.

Therefore, in summary we respectfully request this committee to include three recommendations: First, that hospitals be exempt from the employer health levy; second, that the Treasurer increase provincial allocations to hospitals for 1990-91 by \$52 million; third, that the provincial government grant full and immediate funding for hospital retrofit projects required by hospitals to conform to building and fire codes.

Thank you very much for your interest. We would now be pleased to entertain any questions you have regarding our brief.

**Mr McCague:** Just to address the hospitals' capital construction issue from my part of the province, which is Collingwood, Orangeville and Alliston, we seemed to get a series of announcements from the Minister of Health three or four years ago that certain hospital construction projects were going to proceed. I guess it was the now Minister of Health who had the gleeful job of telling all those hospital boards that what the fellow ahead of her told them was not quite the way it was going to be. What it has done is knock a lot of the enthusiasm for capital projects. It has hit it quite a slap as far as it concerns the general ratepayer and the person who felt like making a donation to the project at the time.

I am not sure but I have a feeling that it is not clear to the general public where the Minister of Health is going today with all these things. You have said, and many people have said, that we cannot keep increasing the costs of health care as we have in the past and that something has to be done.

I have urged the minister on a couple of occasions to say it the way it is. If she is not going to be building any more new hospitals, let's find out. In other words, let's tell the people in Orangeville who donated \$5 million, the people

in Collingwood who did the same and the people in Orillia who did the same that we are not going to proceed with new construction, but that the hospital needs \$7 million worth of renovations.

Am I way off base on what is actually happening, or is that close to the way you see it also?

**1520**

**Mr McAlpine:** From the viewpoint of a trustee, which I am, I do understand many of the aspects you were mentioning. I do know that various communities have had fund-raising campaigns; in fact, some of them even have signs up, "The Site of the Next Hospital." As a matter of fact, I think I saw one in the Barrie area.

**The Chair:** Mississauga does that.

**Mr McAlpine:** I am sure there are several.

**The Chair:** Quite aggressive.

**Mr McAlpine:** Yes. You are putting your finger on a very complex and a very pointed issue at the moment. Obviously with a strategy that is going to stress prevention, the priorities would seem to me not to be heavily weighted towards rushing into capital construction for hospitals. This, of course, is a message which does not filter down to our various communities overnight.

**Mr McCague:** That is the problem.

**Mr McAlpine:** This has resulted in confusion. As a matter of fact, we have done our best to press the ministry for statements on capital funding for a good many years. Whereas \$250 million is the amount suggested for the upcoming year, there are people who would say that the sum of the real requirement is 10-fold and 20-fold that amount. But the minister announced, I think about 10 days ago, a policy which would, in effect, prioritize hospital capital funding requirements. She gave a framework.

First of all, money would be allocated based on four priorities.

Innovation: trying to achieve this preventive scheme, trying to decentralize health more into the communities, community services, more comprehensive services, long-term care in conjunction with the Ministry of Community and Social Services. Then specialty care would be the second one, capital funding for special care like emergency services, critical care, cardiovascular surgery and so on; then infrastructure, making hospitals more in keeping with the requirements of health and safety standards, occupational health and comfort and convenience of patients, and the last, demographic change. We have to

realize there are many demographic changes in the community.

But this is not going to happen overnight. I suggest that we are going to be in a period of confusion for some time yet, even with the best of intentions.

What the Ontario Hospital Association would like to do is to assist the ministry, as we have assisted in its transitional funding projects and, indeed, as we are assisting now in long-term care planning, to get in there with our hospital experts and monitor this system more precisely. We found some willingness of the ministry to accept this procedure, but certainly we are very conscious of the fact that communities feel ill at ease and sometimes ill-served by what is going on, and we would like to do our best to help.

**Mr McCague:** I guess the bottom line is that we all have, I think, a common goal of somehow reducing health care costs. What disturbs me is that you do not do it by leaving communities, which might otherwise be very supportive of what you are trying to do, hanging there not knowing what it is you are trying to do. I think some of the actions that have been taken on the capital funding side are really counterproductive.

**Mr McAlpine:** You are absolutely right. There is a great deal of confusion, and indeed I could tell you stories of people who thought the thing was approved and then it was not approved. There is another caveat, and there is this bureaucratic ping-pong back and forth.

Interjections.

**Mr McAlpine:** I guess I hear some sympathetic vibes.

**Mr McCague:** It does happen to government members too.

**The Chair:** It sure does.

**Mr McAlpine:** But we would really like to see this thing faced up to and as quickly as possible. It is easy to put out public relations briefs and so on, but we would like to come to grips with it and we would like to put our own expertise in there.

**The Chair:** I have some additional questions I would like to get to. Mr Morin-Strom.

**Mr Morin-Strom:** Thank you for coming before the committee again with this year's presentation. I think one of the frustrating things about dealing with an organization like yours is the fact that the argument here is on the base funding and what the year-over-year percentage is going to be. The minister has announced it is going to be 8.7 per cent, and you are arguing it should be 11 per cent, but the announcement has



already been made. This is really not a subject for the next budget.

From our standpoint, I do not know, maybe you are going to have a flip-flop, but normally when the Treasurer (Mr R. F. Nixon) comes out and makes a public statement in terms of the major transfers and what they are going to be, that then almost precludes it from being a part of what we are likely to be able to influence. Our chances are far better in other areas than in terms of that percentage commitment. I do not know whether you can react to that or whether you have any of my sense that we are too late on this decision for this year.

**Mr McAlpine:** I can appreciate your viewpoint, but we would not be an association if we were not representing our constituency, as indeed most people who come here represent their constituencies. We have some 224 hospitals and another 100 member institutions that are really looking for us to do something. We are suggesting here a valid way of meeting the bulk of the shortfall, and that is, spare us from other government initiatives that are eating away at the health dollar. We are talking about pay equity; we are talking about the employer health levy. In business it is called a wash. Give it a wash and put it back the other way.

There are ways, and we have to be optimistic that we can speak not only on behalf of the hospitals but on behalf of the communities they serve and on behalf of thousands—do you realize there are over 30,000 volunteer women in our Hospital Auxiliaries Association of Ontario?—we blanket the province in interest and in community spirit. We feel we must speak for them and we shall continue to speak for them. I am sure our views are welcome in this continuous process of digesting, redigesting and regurgitating policies for finance, and we will keep on doing it.

**Mr Morin-Strom:** I agree with your comments there. I guess I feel a bit of frustration that the Treasurer, in a sense, has pulled the rug out from under our process by having announced what that percentage is in advance of these consultations. I suppose from his standpoint, and maybe from your standpoint, he thinks there are advantages to your having gotten some advanced notice as to what those percentages are going to be. But unfortunately, I just think in terms of these major initiatives, these are items that perhaps our committee should be looking at earlier in the fall, in advance of the Treasurer's announcement, and maybe addressing some of the major transfer-of-fund announcements, which in the last couple of years have come out in

December, in advance of this time frame, which really puts us behind the eight ball, I think.

**Mr Daigeler:** I guess as you are aware on this, you said at the beginning we have a constant litany here of supplicants coming in. Quite frankly, I think everybody has agreed that the problem lies not necessarily with you personally but with the health care portion of the budget. We could be very much more generous towards some of the other groups if we did not have to pay so much to the health care field.

In your opinion, what has caused the exponential increase in the health care budget? We know the drug benefit program has really shot up, but what are the other biggest factors?

1530

**Mr McAlpine:** There are several basic considerations. Ageing population, this is a factor. It is not just a question of the requirements for long-term care institutions. An ageing population with hospital requirements finds itself required to seek service in an acute care facility. This impinges upon the amount of service available in acute care hospitals and causes lineups for service.

The ever-increasing squeeze on our budgets of nonhealth legislative issues—for instance, last year it was the workers' compensation extra levy; this year it is the employers health levy, pay equity and various other issues. They all have, in the global budget context, the capacity to put a crimp in the eventual service being given at hospitals.

You will see, if we do not do something about it, the way the budgets are being chipped away, a vital part of our health system. The state of the art in which we pride ourselves in Ontario will suffer. I am not saying it is going to suffer this year, but we can just see this coming. If we cannot find a way out of our funding difficulties, then the state of the art eventually will suffer. Who is affected, of course? It is the individual. People who cannot speak as effectively as maybe some others are going to find that their health services are suffering at the hospital end.

**Mr Daigeler:** Could I ask a supplementary on that? Has your association done any kind of study on that question that you could share with us?

**The Chair:** How about now?

**Mr Faubert:** The chairman said no.

**The Chair:** It is out of control. Will you get to the point of your supplementary, because we have another short question, as all the questions are short.

**Mr Daigeler:** What I hear at my level is that people feel it is over-utilization by the individual that is causing the tremendous cost. So I am just wondering whether you have any studies that you have done through your own association that would indicate what your views are on the cost increase.

**Mr McAlpine:** Gord could back me up on this. I do not think we have done any studies, have we?

**Mr Cunningham:** We looked at the usage in Ontario. Part of the answer here is that we have asked what is causing the increase in cost, and the Treasurer's figures in his budget two years ago showed that hospital costs over a decade have gone up 10.3 per cent per annum. That is all costs, including new construction and the gain in the population. But if you look at the OHIP part of it, it has gone up 15 per cent, and the drug usage part has gone up 21.2 per cent or 21.3 per cent. The laboratory costs have gone up 16 per cent. Each component has gone up.

When you search for the costs, it is quite clear the health economists in the western world are telling us that the determinants of long life and good health are not the health care systems so much as good water, good environment, good air, good housing and a lack of poverty. We, the association, want to see those things, but to the average person who wants good health and long life, his answer is to seek relief from his discomfort. He wants to see the doctor or wants to be admitted to a hospital.

There is no question that the delivery of this care has made the life of each one of us infinitely better. It has helped to care for our people well when they are dying or helped to care for the newborn, or it gives the intensive care. These things are technologically expensive to deliver.

So there are a couple of answers. Of the components, we can look at the hospital care and say it has gone up the least of the varied components that are broken out, but the demand is very, very high. When we look at the legitimacy of the demand, I think we have to look at the fact that the people of Ontario are exceedingly well served. We in the association have to believe, from all the events we watch across the province, that that is the level of care people want.

As Mr McAlpine said a moment ago, we are very much afraid that we are not going to be state of the art in a short time if we keep underfunding the system.

**Mr Faubert:** I will not ask a question. I will simply make a statement about meeting with the

minister, just related to the capital funding aspect where you say that the capital criterium is not adequately dealt with. She assured us it was. She assured us very clearly when we met with her—I met with her with my board—that indeed it was included within the priorities. So you might ask her again on that basis.

**Mr McAlpine:** It all depends what you term the meaning of the word “adequacy.”

**Mr Faubert:** You are not going to rebuild the whole hospital, but we are talking about adequately meeting fire and safety regulations in the upgrading, retrofitting. She assured us that was included within her priorities.

**The Chair:** I would like to thank you very much for coming today and for giving us your brief and your candid thoughts. We will certainly take them into account when we write our report, which I do not believe is redundant, notwithstanding the announcements. There are some suggestions you have made that we will look at.

**Mr McAlpine:** Thank you very much.

**The Chair:** Our next presenters are from the Federation of Women Teachers' Associations of Ontario. We have Kay Sigurjonsson, deputy executive director, and Marilyn Roycroft, executive assistant.

Welcome to the committee and thank you for coming. We appreciate your taking the time today. I hope I did justice to your name in the pronunciation.

**Ms Sigurjonsson:** Yes, that was fabulous. Lisa has been priming you about it.

**The Chair:** No, I figured it out by myself. Give me some credit. We have about 30 minutes for your presentation and our questions, so begin whenever you are ready.

#### FEDERATION OF WOMEN TEACHERS' ASSOCIATIONS OF ONTARIO

**Ms Sigurjonsson:** Our president, Helen Penfold, is engaged at the learning programs advisory committee and is therefore not able to be here, so the staff will be presenting the statement.

We have appeared before this committee and every other committee of the Legislature that will listen to us to discuss the need for more funding of the elementary schools. It may not disappoint you that actually we are not here to talk about that today except indirectly.

We do very much endorse some of the recommendations of the standing committee on social development. Some of them do not go as far as we would like, but we do support that

approach to educational financing. We are very sympathetic with the brief that we heard presented earlier today from the Toronto Board of Education and that really will be part of what we want to talk about today.

What we want to talk about is the poverty of children and the impact of poverty on the schools. Our recommendations—and I suppose this is what is most distressing—are not new. In fact, I do not suppose there has been a more brilliant or a more compassionate summary of what could be done for poor children than in *Transitions*, the report of the Social Assistance Review Committee. I know that this committee heard last year from many of the groups worried about implementation of *Transitions*, wanting it to happen fast. Nobody could feel more urgency than the teachers of young children.

I think Canadians have heard so many statistics about poverty—and you can hardly open up a newspaper without reading what are almost unbelievable statistics in a country this rich—and I think a lot of people have just turned them off.

Teachers cannot do that because they are not looking at statistics; they are looking at hungry children. I suppose people say, "Well, poverty; you are not talking about Calcutta." This is not that kind of poverty children suffer in the Third World, and of course it is not. It would be preposterous to pretend that it is. What it is is an agonizing contrast between a very great wealth, particularly in the city of Toronto, and hunger in little children, and older children too of course, but most of our members teach very young children. They teach primary and junior grades.

About a year ago, two months after the SARC report came out, we became particularly active in the antipoverty organizations that sprang up, the Child Poverty Action Group, the Ontario Coalition on Poverty, the National Anti-Poverty Organization and so on. We are the recipient of volumes of agonizing material about children in school. When we talk to our teachers or when they talk to us about the manifestations of poverty, they are, of course, exactly what you would expect.

In this city, in Toronto, which has one of the most progressive school boards in the province—lots of disagreements with them, but about compensatory education we have no disagreement—where the board is prepared to spend more money per capita than almost any other board in Ontario, children are hungry.

We include in our brief a letter from a woman who is trying to have a drop-in program to bring kids back into the school who have illegally

dropped out. They are kids of 12, 13 and 14 years old. She lures them back to school to grades 7 and 8, but she finds they are hungry in the middle of the day. They have not eaten since the day before. They may not have eaten since she fed them the day before. What they eat every day is what she is able to bake the night before.

#### 1540

We have northern teachers who tell us about kids who go out at noon in little northern towns to scavenge on the streets for food, hoping that at the fast-food places somebody will have dropped some food. As one principal told us on the weekend when we were discussing the manifestations of poverty, the difficulty for some of these kids is that they tend to drink out of bottles, and they do not discriminate between bottles and so they may come back after school having drunk out of empty or semi-empty liquor bottles and beer bottles, but have not had any food. The problem is of course particularly acute in native communities, whether they are in the north or in the southwest or in the city of Toronto.

One northern teacher told us about a little girl who was always late for school. The teacher said she gave her her usual hectoring lectures about showing up on time and then one day found the kid hanging around outside a hotel. She said, "What are you doing here?" The child said, "I live here." She, her two younger brothers and her mother lived in a single room in a hotel. The mother works in a bar and so works late at night and does not get up in the morning. The two little boys are stopped repeatedly, though thanks to a benevolent police force not arrested, for shoplifting food. They live in a hotel room and the mother cannot afford to feed them.

Aside from the human tragedy of these children, what our teachers tell us is what Third World teachers of course have always said, "You cannot teach a hungry child." More than that, you cannot teach a child who has no place to live. In the case of these kids in grades 7 and 8 I told you about with their food program, many of them are living on the street. They are not always on the street because they may go back to an unsatisfactory home from time to time, but essentially their home in some cases is the street. If it is not that, it may be overcrowded, cold, inadequate housing. It is hard to teach those kids too because they are uncomfortable. They do not sleep properly. They come to school, as we say, hungry. They cannot be taught.

What the inner-city teachers tell us is that most people cannot teach in the inner city for very long because if you are there long enough, the kids



you taught in grade 1 come back at the age of 14 or 15 and they have babies because there are no other options. They have dropped out of school. They have no training, no education. They may go back to live in public housing or wherever their mother lives, because it is usually with the mother; three generations all on social assistance.

What teachers find is the hopeless cycle of poverty is almost more than they can take. What I think they find distressing is that we know the answers. Transitions tells us the answers, but there seems to be no fever of urgency about putting those programs into place.

I do not envy this committee and I do not envy the Treasurer because I know you hear from people like the Canadian Imperial Bank of Commerce, saying: "Let's not have any stimulating spending. Let's not have any public spending that we do not absolutely need." You hear from other people saying, "Hold the line because we are going to have this and this and this problem."

I suppose what we are saying to you is that we have to have a vision of a kind of society that we want to have and we devise the budgets and the fiscal and monetary policies that can best provide that kind of society. Even if you do not believe much in a society of greater equality, however, the other thing that is astounding is that we are going about things in the most expensive way possible.

All the studies indicate—and you know them as well as we do—that for every dollar we spend on young children, we save up to \$7 later on in social welfare, prison, psychiatric treatment and all the rest of it. It is to bring ourselves to spend that dollar in the first place that seems to be almost impossible for us to do as a society.

We are here with some recommendations, but we are here essentially to say, first, that we know the problems of poverty are complex. We are not naïve enough to think that this committee can make 10 recommendations and solve the problems of poverty, but we know that if we can solve or ameliorate, reduce the degree of child poverty through a number of interventions immediately, then we have a better chance of solving the fundamental problem of poverty, and the great financial economic benefit of that is that it will save us not just human capital but actual capital in the long run.

I understand you have heard from a number of antipoverty groups, and the government will certainly be hearing from the food banks. Their arguments are very convincing, that although there have been some changes in the Family

Benefits Act—we know that as a result of the Social Assistance Review Committee—and although there have been some improvements in the general welfare assistance provisions, in spite of that more and more people are having to use the food banks. What disturbs us is the people who do not use the food banks, the people who for one reason or another are not availing themselves even of those provisions. Those are the kids we are seeing in school.

We recommend in here as a kind of a stopgap, because we do not like it for a lot of reasons, but as a stopgap we recommend more funding for school meal programs. I noticed in the Toronto Board of Education brief, which I heard presented, there is a passing reference to that need. Although they had \$25 million last year in compensatory education, if they had more money, they would do better on nutrition programs.

We are seeing it as a stopgap. As we did during the Great Depression and the Second World War, we should feed the kids at school. It is the only institution to which all our children are exposed. Some kids go to food banks and some do not. Some kids live in neighbourhoods where good-hearted people bring food to the schools, but unless there is central funding available to all the boards that are prepared to use it, some of our kids are not going to be reached.

I say it is a stopgap, first of all, because it is demeaning to the children. One of the problems teachers run into is persuading poor children to stay at school for school meals because they do not like to be isolated and pointed out as poor children. Second, it does not reach the elderly and it does not reach young children at home. Third, there is always the desperate, awful thought that it could become permanent; instead of adequate social assistance we just feed kids at school. We suggest it with the greatest possible trepidation, but it is better than hunger.

We know that in the city of Toronto at least, and you know this better than we do, as the Daily Bread Food Bank says, "People have to choose between shelter and food." The increase in the shelter allowance is a help, but what most of the antipoverty advocates tell us is that as the shelter allowance goes up, so do rents. The people are still left without enough money to spend on food, so that the provision of low-cost, subsidized housing seems to be the answer.

We worry about the health of children. We have a section in the brief you may want to look at, but which you probably know again as well as we do, about the number of implications for

children's health that poverty has. An inadequate diet can do everything from ruining children's teeth to creating hyperactivity and behavioural problems, which often drive children out of school.

We used to have school nurses, but as a cost-cutting measure, they have disappeared from the schools. For many children, even with the finest public health system, which we believe in and support, there is not any health care. It may be what they need and maybe it would help. School nurses are a measure of desperation. We need other professionals in the schools. We need more social workers. We need more psychiatrists. Poor children are twice as likely to suffer psychiatric difficulties as other children.

Fundamentally, we are treating the symptoms, as long as that is all we treat. What we have to do is treat poverty itself, to cure poverty itself. To that end, we recommend urgent action on the SARC report; urgent because for the kids we teach, for the children in primary grades, even a year may be too late.

#### 1550

**Ms Roycroft:** We recommend several other long-term solutions. It is common knowledge that children in single-parent, mother-led families are much more likely to be poor than children of two-parent or father-led families. The reasons, as Kay has outlined, are very complex and there are many reasons: female job ghettos, the impact of free trade—some of these I am sure you have heard—immigrant women, language difficulties, more part-time work for women than full-time work.

As long as women are poor, then children will be poor. The evidence for that is overwhelming. The long-term solutions therefore must include some action for women: accessible and affordable child care, mandatory pay equity, mandatory affirmative action and better training opportunities for women. We must help women out of poverty and, by definition, we will then help children out of poverty.

Many poor children whom our teachers see in their classrooms are children of men and women who work, but who work for the minimum wage. They are poor and their children are also poor. If we truly want people to have the self-respect that jobs give them, then we must raise the minimum wage and we must work towards a government policy of full employment. I am sure you have heard that from other groups also.

The link between education and poverty has been studied. In 1986, it was clear that the dropout rate among poor children was more than

twice the rate of children from nonpoor families, but most of the proposed solutions have looked at the dropout rate. They have looked at ways of lowering the dropout rate, keeping children in secondary schools. We agree there is much to do in that area, but we also believe it is equally important to improve the lot of children in the early grades.

As Kay has said, in those early years so much learning happens and so much of the values about education, among other things, are formed. So there are some moves in that direction that this government has taken, smaller class sizes in the throne speech, but there is so much more that could be done, especially for the at-risk students in those early grades. Prevention does save dollars and the remedial costs later are tremendous.

Nationally, Canada must work towards ratifying the United Nations Convention on the Rights of the Child. If we look at everything we have talked about this afternoon, food, health, housing, school, then we must come to the same conclusions as other groups who have come before you, in particular a recommendation by the Child Poverty Action Group. We agree with that recommendation. We would ask you to seriously consider a Ministry of Education and Child Development, with child poverty and the prevention of it as its prime purpose.

Our teachers are working in their own schools, in their classrooms and in their communities to help as best they can to end the cycle for poor children. We do not believe that the people of this province want the number of poor children that do exist in this province. We believe the people of the province would support government action. What is missing in our minds is the political will to tackle the crisis of child poverty.

The solutions are complex, they are not simple, but they are not beyond the powers of this government. As we have proved time and again, we cannot look to the federal government. We ask you to do what is in your power as Ontario legislators to make education and the future better for all children.

**The Chair:** Thank you very much. I have questions from Mr McCague.

**Mr McCague:** Thank you very much. You obviously understand the issue you are putting before us.

I represent a riding north of Toronto where I know there are people below the poverty line, but if there is the poverty that you speak of, children walking the streets, I have not heard of it nor have I seen it in my area of the province.



However, last year when we were looking at the SARC recommendations, the Treasurer made it very clear to us that if we were going to recommend \$10 billion worth of added programs in our report to him, we were fooling ourselves of course and he was not going to feel the obligation to do anything. But if we zeroed in on the kinds of things that really should be done, in all likelihood he would consider them.

You really have a lot of recommendations here which cost a lot of money. I presume from the way you did your presentation that the further implementation of SARC is what you would put as your number one priority.

**Ms Sigurjonsson:** I think the entire implementation of SARC would solve all the problems we are talking about to the degree that they are soluble. We do make the point in the brief that it would be foolish for anyone to think that poverty can be eradicated when there are people who through age or disability or for other reasons may always need some social assistance. But the philosophy of SARC, of Transitions, which is the move from welfare dependence to independence and so on, precisely, we agree with it.

I think the reason we are here is that we do not feel a sense of urgency about the implementation of that report. We think it ought to be not just a provincial priority but a national priority. I notice the federal House of Commons has voted unanimously that it does not like poverty or something to that effect. I would hope we would have a national strategy in which all the provinces would participate. We recognize that the problem of poverty is less severe here than it is anywhere else in the country. We know that Ontario is blessed, at least at the moment, but we need a national strategy to do precisely what SARC recommends.

It is the absence of fervour that we are worried about. We do not believe any of this is going to be done in the next six weeks, but we want it to be done. If it is not done for a generation, in fact if it is not done for five years, the children our members teach will already be statistics, and they will still be statistics in 20 years because they will be unemployed and unemployable. It is that urgency we want to emphasize. I suppose what we want to emphasize is a pretty fundamental change in social priorities.

**Mr McCague:** My reading may be different than yours, but you might want to look at your 12th recommendation. You want a preventive approach for children. I am not sure that is—

**Ms Sigurjonsson:** We should add to the sentence, yes. Prevention rather than curing is

what we are talking about, the prevention of poverty by intervening when children are young enough to be saved. There is quite a lot of evidence that that may be as young as six or seven. Teachers tell us stories about watching hopeful kids, even if they are poor kids, at the age of six or seven and by the time they are nine they may be tough street kids.

**Mr Morin-Strom:** I would really like to thank the federation of women teachers for its presentation today. I think it is one that really expresses sincerity of concern for the children of this province. I think it is really appreciated that you have made that your focus of attention and not directly the education-related issues that would perhaps more directly affect your membership personally.

Obviously, you have seen the problems that children are facing, especially at the young age when you see them in your school system. I know in my community—I guess it is different from Mr McCague's—the city of Sault Ste Marie, the kinds of experiences you are bringing to light are very much in evidence and a continuing problem in our community, and I am sure they are in many communities across this province. Certainly the issue of the feminization of poverty is a very serious one, and those children particularly from single-parent families are being shortchanged in many respects.

#### 1600

Any move we could make towards providing assistance at the school level as well, particularly in terms of the initiatives you are suggesting, meals at schools—I know there are children crying for the opportunity to have a decent meal during the day and they are being denied in many schools. They are not being allowed to come back to the schools.

My wife is a member of your association, and I know I have heard cases of children whom the school is forcing to be sent home for their lunch hour, day after day, and they are back 10 minutes later because they have nowhere to go. Their homes are not open, their parents are not there. The parents in some cases do not have the food in the home to be able to feed them and the children are coming back without any lunch. Their preference is to be at the school, and unfortunately the schools are not providing the kind of accommodation I think they should be and could be in terms of building a fairer society.

I just commend you on your presentation and hope our committee can respond to it.

**Mr Reycraft:** I too want to thank the federation of women teachers for a very eloquent



and passionate presentation calling for action on a very fundamental problem.

I would like to have a little more information about school meal programs. Can you tell me something about what is happening now and how you think a proper program on a broader scale could be delivered?

**Ms Sigurjonsson:** What is happening now is hit and miss, and that is what worries us. In the cities in particular and in particular in Metro—I think it is probably because of the concentration of the media on the problems of poverty and because of the nature of the Toronto board—there is more widespread provision of school meals, but even then it depends first of all on the teachers themselves very often doing the cooking.

I have a friend who teaches young children and she herself is a single mother of two children. She says, "When I bake, I bake for an extra 23," because they are the kids in her class, and she says, "I have cooking classes almost every day." This is in the primary grades—I do not know which of the three, grades 1, 2 or 3—and she cooks almost every day because she can teach them to cook, but it is a way of feeding them.

So it is done that way, by a teacher's own goodwill, or teachers who can find parents or other volunteers in the community. Of course as you know, in every volunteer category it is getting harder and harder to find volunteers as more and more women as well as men work for pay outside the home. But there are volunteers. There are people like the group called the Inner City Angels who started a long time ago providing food and culture and recreation for inner-city children. They were fairly well-to-do women who did it on a volunteer basis. So that is how it is done by and large. Some of it is funded out of the weighting factors for compensatory education, the nutrition programs. We need more of that.

In rural areas, when Mr McCague said he is not aware of the kind of poverty in his area that we find in Metro, the teachers in rural schools tell us it is not as obvious. For one thing, if the kids come from farms, they may actually eat. They may have enough food, but they are limited in all kinds of other ways. They cannot go on school trips, they do not have a choice of occupations, they may drop out of school early and so on. So the poverty is different. School meals are not so much a problem.

It is very much hit and miss, depending on the leadership of the school and depending on volunteers.

**Ms Hošek:** I also want to thank you for an excellent brief. I simply want to give you the opportunity to highlight again what I was also struck by in what you said, which has not been mentioned yet by any of the questioners, that the standard list of issues that is brought forward by women's organizations about issues that have to do with women map almost entirely on the concerns you have mentioned having to do with children.

I think it is rare for us to hear someone say that the things we talk about about women are somehow suspended in the air and have nothing to do with anyone else, but there is a clear relationship between that and the poverty of children. So if there is anything more of that sort that you want to say to the group, I would be very glad to hear it.

**Ms Sigurjonsson:** Marilyn may want to deal with this, but one of the really astounding statistics that you may have read recently was that in Canada we have the second-highest rate in the industrial world of child poverty, single mothers. There is acute child poverty. Over 50 per cent of mother-led families are poor. In Sweden, that fabled centre of enlightenment, nine per cent of mother-led families are poor.

Clearly in this country and North America in general, at the very least there is a very direct link between all of the things that go wrong for women and what happens to their children. When we say that the solutions to poverty are layered, layer upon layer of complexity, it is because the little girl who becomes pregnant in grade 8 and then never goes back to school becomes a permanent recipient of social assistance.

She has to be retrained, but there is not any retraining. Only about 12 or 14 per cent of places in retraining go to women because most of the courses are devised for traditionally male occupations. The cycle of poverty goes on and the problems for women go on. If a woman can get training, she cannot afford child care and anyway there is not any child care, and so it goes.

The solution is many-pronged. It is not just pouring some more money into social assistance, although that is first. It is all of the other social problems involving women and almost always children too.

**The Chair:** Thank you very much for your brief and for taking the time to be here. We appreciate it very much. As Mr Morin-Strom said, we hope we can find a way to take advantage of some of your recommendations.

**Ms Sigurjonsson:** Thank you.

**The Chair:** Our final presenters for the day are from the Hamilton Automobile Club. We have Leo Laviolette, vice-president of public and government affairs, and Doug Seaton, vice-president of the organization. Welcome, gentlemen, and thanks for coming this afternoon. We have about 30 minutes for your brief and questions back, so begin whenever you are ready.

#### CAA ONTARIO

**Mr Laviolette:** First of all, while I am vice-president of the Hamilton Automobile Club, I want to clearly state that we are here representing the organization, CAA Ontario, and representing motorists in that organization province-wide. With me today is Douglas Seaton who, as well as being vice-president, an elected position of CAA Ontario, is a local registrar in the Supreme Court of Ontario in Sudbury. He has come down from Sudbury to be with us today.

In our presentation we make several points and I would like to go through those. First of all, CAA Ontario is the largest provincial component of the 3.2-million-member national organization of the Canadian Automobile Association. We have in Ontario 1.3 million members, or 41 per cent of the total national membership. One in every five Ontario households has at least one CAA member; many have two or three or more members in their midst.

CAA Ontario's objectives include maintaining the rights and privileges of those who use motor vehicles, promoting rational legislation governing the use of such vehicles and assisting in and encouraging the maintenance of good roads. The association consists of 11 autonomous clubs in Ontario with offices serving 46 communities.

Today, we want to remind you of the taxes paid by motorists and the huge increase that was imposed upon them in last year's provincial budget. We also wish to comment on the commitment of motorists to cleaner air and the need for greater attention to our highway system. On the issue of the motorist taxes, we believe that fairness in taxation is an absolute necessity. Ontario motorists, for most of whom a car is a real employment expense, should not be taxed to finance nonmotorist-related services. Motorists as employers and employees are responsible for the province's economic growth. They should not be penalized for successfully balancing employment and affordable housing requirements by increasingly long commuting distances.

The regressive nature of gasoline taxes violates any standard of fairness and is quickly becoming a burden to seniors, single parents, the working poor and, indeed, a majority of middle-class Ontarians who are obliged to use their cars to get to work. Successive provincial governments have acknowledged this unfairness, but those same governments have continued to take advantage of the relatively easy windfall gasoline taxes without considering the economic consequences. The unfortunate political reality is that government regards gasoline taxation as a cash cow and ignores its responsibility to ensure that within its jurisdiction the tax burden is fairly distributed and not concentrated on a particular group.

#### 1610

Excessive gasoline taxes are a substantial, if hidden, cause of other growing social problems, such as the growing number of working poor in our communities, the declining supply of affordable housing in urban areas, increased child care needs and growing tourism deficits.

We are mindful of the challenge that you face as you endeavour to reduce the deficit while at the same time providing much-needed social programs. However, continued increases in gasoline taxes are an invidious attack on the working poor, seniors and those on fixed income. Also, the current imbalance between the Ontario rate of gasoline taxes and the rates in neighbouring states in the United States seriously undermines ability to compete in the North American market. We should not be surprised that with the package of taxes imposed upon motorists in the 1989 budget our economy is slowing. The auto industry is laying off thousands of people and tourists are travelling elsewhere.

Last year, the provincial government increased the unleaded gasoline tax from 9.3 cents to 11.3 cents per litre, an increase of two cents or 22 per cent. This government also increased the tax on leaded gasoline by 16 per cent. Also applied was a new tax of 2.3 cents per litre on propane fuel and a further two cents in January, so that the total tax applying on propane fuel is now 4.3 cents per litre. The increase in gasoline fuel taxes has increased provincial revenue by \$300 million annually, so that Ontario is collecting \$1.55 billion annually in fuel tax revenue from the highway users, an increase of 24 per cent over last year's budget.

Also introduced in last year's budget was a \$5 tax per tire ostensibly as an environmental initiative to help fund efforts to support recycling

and environmentally sound disposal of tires. We will look forward to a report on the success of this initiative, indicating the number of tires recycled and the number of tires disposed of. This tax will generate \$40 million annually. The new provincial tax on fuel-inefficient cars is estimated to increase revenue by \$8 million annually. It does not affect a great number of vehicles.

This government implemented a commercial concentration tax on parking facilities, which will raise another \$125 million annually, unless places like Whitby take out all their parking meters. Also increased were the vehicle registration fees to collect an additional \$105 million annually and drivers' licence fees to collect an additional \$19 million annually. Motor vehicle licence fees in northern Ontario and southern Ontario went up by 22 per cent, whereas in the greater Toronto area the increase was from \$54 to \$90, or a 67 per cent increase.

On top of all of these taxes that the motorist faces are our friends in Ottawa, the federal government, which collects an additional \$2 billion from Ontario motorists through the excise tax on gasoline, its special tax on leaded gasoline and the federal sales tax on gasoline. Significantly, they spend virtually nothing on roads in Ontario. For example, we have no federal parks in our province where the federal government looks after the roads.

The overall impact of last year's tax measures are shown in table 1 on the next page, which shows that the increase overall by these tax measures was 39 per cent.

Fairness in taxation implies a commitment to taxes, which are neither regressive nor punitive in nature. It implies a commitment by government to tax policies which contribute to economic growth and prosperity. It implies an understanding that fiscal policy is neither developed nor implemented in isolation without considering the consequences on other jurisdictions.

While we might agree on the need for tax fairness, Ontarians remain overtaxed on a necessity of life, the automobile, paying in effect a penalty for their contributions to the economic health and continued growth of the province. The vehicle is an absolute necessity for three quarters of Ontario's working population who have no alternate means of transportation to and from their workplace.

Motor vehicles cannot be viewed either as a minor member of the sin tax group of alcohol, beer, wine, tobacco and entertainment. The automobile is a necessity. Motorists should not

finance increased government borrowing and spending; rather they should be treated as user fees. As user fees, motor vehicle taxes are a responsible means of financing our highway system and other motorist-related services. Whether considered as user fees or taxes, the government collects far more—about 50 per cent—in motorist-related revenue than it spends on motorist-related services.

Whether called a sin tax, general tax or whatever tax, they are excessive and essentially regressive and are based not on the ability to pay but on the amount of gasoline needed to reach the workplace. We are convinced that the current tax policy is not only unfair and unjust but damaging to the provincial economy.

In the next section of our presentation we comment on the impact on tourism, which is one of the province's largest employers, particularly of women, youth and visible minorities. Tourism is highly sensitive to gasoline prices because over 85 per cent of leisure travel in Canada is by car. Some 70 per cent of tourists who come to Canada from the United States come by car, but despite an advantageous exchange rate the number of US visitors has continued to decline.

The Toronto Sun carried an interesting article in its 25 June 1989 edition commenting on the lower number of Shriners who came to Toronto for their North American convention because of the high food, gas and hotel prices. Gas prices in Ontario are about 65 per cent higher than in the United States, it being here about 50 cents per litre while it is only about 30 cents equivalent in the United States.

It is interesting also to note that the Minister of Tourism and Recreation (Mr Black) acknowledged in the Legislative Assembly in December that tax levels in the province have a serious impact on tourism and are a major contributor to the decline in the number of visitors to Ontario, and a contributor to why fewer people in Ontario are travelling within their own province. Clearly, the American perception that Ontario is an expensive travel destination is valid and discourages their return visits.

This common complaint may be understandable given the difference, but it is a complaint and a perception that hurts Ontario's tourism industry and contributes to travel deficits. It also impacts upon the expansion and investment in our tourism plant and reduces employment opportunities for women, youth and visible minorities.

We also want to comment on environmental protection. The automobile is frequently identified as a major contributor to air pollution. In



many instances I think Canadians have acknowledged that. They are concerned about the environment and are willing to pay to protect it. Canada's motorists are no exception to this trend. In fact, when it comes to reducing air pollution, they are world leaders in environmental protection.

Recently, the Canadian Council of Resource and Environment Ministers recommended the implementation of the more stringent California standards for the 1994 model year car in Canada. As it stands now, when these standards come into effect, they will be more stringent than those in any other nation. The current standards, which came into effect on 1 September 1987, were already touted by Transport Canada as among the toughest in the world. Canadian motorists are spending, and will continue to spend, considerable amounts of money to protect the environment. They are now paying on average \$500 for emission control equipment alone on each new car, and with the California standards another \$200 will be added to that figure, bringing the total to \$700.

In order to protect the environment motorists have accepted and paid for numerous improvements including aerodynamic designs, fuel-efficient devices, fuel-injection systems, radial tires and auto body weight reduction. Motorists' willingness to pay for emission control is dramatically reducing pollution caused by the automobile. Even before the recommendation of the California standards was made, automobile emissions of carbon monoxide, nitrogen oxides and hydrocarbons were predicted to decline rapidly from 1985 through to 2000, and with the California standards the automobile would become a minor source of those pollutants.

#### 1620

We have given our support to tighter emission standards for automobiles at public hearings sponsored by the federal government, but we did express two reservations. We are concerned that the rising costs of new cars will undermine efforts to reduce air pollution. While some motorists can afford newer, more environment-friendly automobiles, many others cannot. As a result they will continue to drive older vehicles.

CAA urges governments, including this one, to take measures to make newer cars affordable by exempting all emission control equipment from both federal and provincial taxes. We also stress that tighter emission standards on automobiles must be part of a comprehensive plan to reduce emissions from all sources.

Many sources other than the automobile are not regulated at all. As a result overall emissions continue to rise, even as those from the automobile decline rapidly. Trying to reduce overall emissions by targeting one sector is like trying to carry water in a tin can full of holes. The environment ministers may have plugged one hole by reducing automobile emissions, but water will only spurt out in all other directions. This is unacceptable. We continue to stress that the emissions from all sources should be reduced as part of the comprehensive environmental protection program.

The continued use of methylcyclopentadienyl manganese tricarbonyl—you will be totally impressed with that—or MMT as it is affectionately called, and which is not a component of American gasoline, draws all the more attention to the need for a concerted strategy on reducing emissions. At the same time as the California standards have been announced, MMT continues to be used as an octane enhancer. Apparently it is very detrimental to the environment. Additionally the automobile industry reps have indicated that it contaminates catalytic converters.

Nevertheless, we are prepared to support the implementation of the California standards provided that there is a comprehensive emission reduction plan for all major pollution sources, especially other gasoline- and diesel-powered road vehicles, and that includes all trucks, and furthermore is conditional upon the federal and provincial sales taxes applicable on the purchase of new cars not applying to emission control equipment. That impacts about \$700 worth of the price of a vehicle.

We must devise integrated approaches, not just to reducing emissions but to the entire issue of environmental protection. In this regard we are suggesting the need to promote proper disposal of used engine oil. Often that is disposed of in Canada by means that are not environmentally safe. Oils should be recycled and reused and we need recycling programs that will encourage that.

Ultimately, perhaps alternative fuels such as propane, hydrogen or electricity will allow motorists to realize a degree of environmental protection which cannot be obtained by using gasoline. In the meantime, however, motorists will continue to support measures to protect the environment, but it must be recognized that the automobile still remains a necessity and that for many it is the only viable option for transportation to work.

Last, in our presentation we comment on the highway infrastructure and the reports that some 12,000 to 13,000 Ontario bridges are in need of attention, repair, whatever. The deteriorated condition of these bridges has been exacerbated because truckloads on the province's roads and highways are increasing and because provincial subsidies for road and bridge repairs have been limited to previous year levels.

Ministry of Transportation officials acknowledge that there are more trucks on our highways and that trucks cause far more congestion, often occupying the space of four to five cars. They are slower to accelerate and less manoeuvrable. They cause an enormous amount of wear and tear on our highways, one truck causing as much damage as 10,000 cars.

We encourage the province to examine the contribution the trucking industry is making through the provincial taxation policies to the construction and maintenance of our roadway infrastructure. Also, we want the provincial government to put some pressure on the federal government, which has gone through an off-again, on-again willingness to contribute to our road system. Presently, we remind you that the federal government collects \$2 billion from Ontario motorists and we would like to see some of that fed back into our road system here in this province.

Our former Minister of Transportation, Ed Fulton, stated, "Traffic quite simply is growing beyond our ability to deal with it," and, "More trucks will soon be on the road." The minister expressed his department's concerns about the safety, social and economic costs of congestion.

We have now reached a point in our planning that in addition to requiring an expanded roadway system we may have to consider restricting large trucks to nonrush-hour periods on key urban roadways and freeways. California is seriously considering such a proposal in and around the Los Angeles area.

Another area of concern is the need for a review of our highway-railway grade crossing policies. We understand that in this province there is a backlog of many requirements for grade separations and that much of that has been curtailed because of the lack of federal funding. Nevertheless, we believe the province has an obligation to the safety of highway users to ensure that where railway road crossing separations are warranted, they are carried out with dispatch.

In winding up our comments this afternoon we want to remind you that Ontario has imposed a

tremendous tax burden on Ontario motorists, a burden which is negatively impacting our economy and tourism. We have described the major responsibility motorists accept for cleaner air and the contributions they have made. We advise that improvements are required to be made to the infrastructure of our highway system which is deteriorating because of bigger trucks, heavier trucks and more trucks. The trucking industry's contribution to highway funding needs to be reviewed.

Summarizing, we recommend that you not compound the unfairness that has been implemented in past years by governments, but rather relieve the burden upon Ontario motorists which now is generating some \$2.2 billion in revenue with only some \$1 billion, plus or minus, being put back into the system.

We feel that a dedication to cleaner air and an indication that emission control equipment is exempt from the provincial sales tax would demonstrate the government's commitment to such a process. We ask you to look at the need for reviewing the trucking industry's contribution to the highway system and the need for bridge construction and the building of highway-railway grade crossing separations.

Thank you for having us here this afternoon. We appreciate that opportunity. We will try to answer any questions you may have.

**Mr Morin-Strom:** Thank you for your presentation. You covered a number of issues of interest to drivers in Ontario. One issue of concern, particularly in northern Ontario, has to do with the move to longer trucks, up to about 25 metres. I wonder if you could tell us what your position is on that.

**Mr Laviolette:** The Canadian Automobile Association is opposed to the present bill, I believe it is Bill 96, which proposes longer trucks. We will be appearing before an appropriate legislative committee, hopefully, when that second reading occurs in late March or early April. We are definitely opposed to longer trucks.

**Mr Morin-Strom:** Do you have concern that the government arbitrarily and without legislation is already issuing licences for a limited number of trucks, I guess, those that are being produced already by manufacturers here in Ontario. Is that not kind of jumping the gun?

**Mr Laviolette:** I appreciate that. We did express our views directly to the minister. I think that when the legislation was tabled and given first reading in the week just before Christmas, we advised all of you as members of the

provincial Legislature of our position, which was in opposition to it.

**1630**

**Mr Faubert:** One question which deals with a major criticism of auto travel is the issue of air pollution. The response then is simply not just the emission equipment but the use of alternative fuels, one of which is ethanol. Now, I understand there is a prohibition on the production of ethanol because of the standards set by, I am not sure who. I have not been able to find out who sets the 10 per cent oxygen content of automotive fuel. Do you have any information on that, where that standard comes from and why they would actually prohibit a product that is used quite universally in the United States?

**Mr Lavolette:** I will try to do that without the benefit of a great deal of expertise. It is our recollection that the amount of ethanol that can effectively be used as a part of the gasoline mix can only be, say, eight per cent or something, maximum, and I am not sure what that number is.

**Mr Faubert:** The standard, I think, is 10.

**Mr Lavolette:** The reason, I think, is the impact that it would have on the automobile or on the engine itself. I think if you get a higher percentage, something goes wrong and I am not sure what it is. There was the example of some company that was near us, and I believe it was Brantford-based, that did start an ethanol and mixed-blend gasoline but it did not fly. In other words, the consumer was not willing. I believe it was a little bit more expensive than gasoline, so the consumer was not prepared to accept that.

**Mr Faubert:** It is viable in the United States and it does not damage automobiles in the United States. Obviously, it is the same vehicle and the same internal combustion system. Why is it prohibited in Canada?

**Mr Lavolette:** I do not think that it is prohibited.

**Mr Faubert:** No, but the regulation is set to prevent its general use, and it is obviously a major contributor to lessening air pollution.

**Mr Lavolette:** But I think our limit is still around the 10 per cent level. I am not sure what the United States level is; I think it is about the same.

**Mr Faubert:** I do not think it is.

**Mr Lavolette:** Mind you, I do not know how much it is being used in the United States, either.

**Mr Haggerty:** I wanted to follow Karl's comments on the question about the trucks and truck safety on the roads. I share your concerns,

but I believe the minister did make the statement and I think in this committee we found too from the free trade agreement with the United States and Canada the word "harmonization" came forward. Do you recall that? This is part of it.

You get larger trucks, larger trailers on American roads, and they are coming across to almost every port of entry, even in Sault Ste Marie. They carry some of that steel down to the United States. I think that is what you have to look at, the word "harmonization" in free trade. I think that is what he indicated.

But I am also concerned about your comments from the page in conclusion: "Review the trucking industry's contribution to the development and maintenance of our highway system and adjust the budget provisions to accelerate bridge reconstruction and building of highway-railway grade crossing separations." But if we keep on with the railroads, we will not have any grade crossings at all. They are all going.

What are you suggesting in this? I could probably put something in your mind, but I will not do that. I am waiting for you to make a comment on that. What do you suggest? Higher taxes?

**Mr Lavolette:** Yes. I think the problem that we have is, additional strength is required to carry heavier vehicles. Ontario now has the most liberal weight limitations, along with British Columbia, of all the provinces in Canada. Those heavy vehicles are really impacting on our highways. I drive over every day and it bothers us. The rutting is a problem, but the resurfacing that was done last year is already disappearing because of impacts on the highway system. If you talk with the pavement experts within the ministry, they are tearing their hair out because they just do not have the mixes that will handle those loads.

**Mr Haggerty:** They are using the planer out there now to level it off.

**Mr Lavolette:** They are trying to do all sorts of things. What is the right word? Mickey Mouse corrections, I guess, is something that I would use. We really feel that because of the rapid deterioration that is being caused by the trucking operations there has to be some review of who is going to pay for that damage. Right now, the other highway users are paying for it, primarily motorists.

**Mr Haggerty:** But you are not suggesting that—I have been trying to get it out of you. You are suggesting that there should be a higher charge for the trailers instead of the \$25 for the life of the trailer, which is about 20 years, less



than \$1 a year. That equipment is travelling on our highways, knocking hell out of them, and the cost of maintenance alone on that thing—I do not think they are paying enough on that either. If I could get some of my other colleagues to go along with it, I think that is an area for taxation without putting it on to the small motorists and saying, “Up goes your fuel tax.”

**Mr Laviolette:** That is the point we are making, that there is no doubt an accurate review of costs associated with different uses would indicate that the trucking industry should pay a higher fee. We do not have the kind of report that would support that in real numbers.

**Mr Haggerty:** I think Chicago and the state of Illinois have done a study of that in particular. They have said that the damage is heavy.

**Mr Laviolette:** That is correct. There have been some American studies.

**Mr Haggerty:** They have put forward some measures to improve the roads in the area, and those are through another level of taxation on the heavy vehicles. You used a comment in there, “10,000 cars to one truck on the road,” and I think it was taken from that study report some 10 years ago.

In other areas, you have not touched on highway safety or vehicle safety. I was thinking of a comment by Ralph Nader, who is a great crusader for safety on the roads, etc. In a statement the other day, he said, “If the automobile industry was concerned about safety and the roads,”—I am trying to piece this together—“if it put all the safety features that are in a Cadillac car on all the other cars, we would have less fatalities on our roads.” Has the association done any studies in that area? Has it come up with anything?

**Mr Laviolette:** That kind of comment has been made before. It goes back many years ago, when we first had safety belts in our vehicles, before this province mandated their use and before the federal government even required them to be there. The automobile manufacturers tried to put them in and sell them as a feature. People were not interested in them. The only way the kind of safety devices that are in the Cadillac vehicles are ever going to be used in lower-priced cars is if they are mandated.

**Mr Haggerty:** I am concerned about the antilock devices for the rear wheels. I have a vehicle that has that in it, and I notice it stops the whipping of the vehicle and you can feel it slow up. You take the front-end-drive vehicles, even the small ones, and you wonder when the brakes

are really going to take hold, because the engine is revving about twice the speed of the average bigger car and it takes quite a bit to bring that down.

**Mr Laviolette:** I think that particular requirement for antilock brakes will be standard in our federal motor vehicle safety requirements very shortly. Taken in all, it is a good example, but it is an evolutionary process to get these into all of our cars.

**The Chair:** Gentlemen, thank you very much for your brief and for taking the time to come here. We appreciate it and we will certainly take it into account during our report writing. I am going to ask that by tomorrow all committee members be able to pronounce methylcyclopentadienyl manganese tricarbonyl on page 12.

**Mr Laviolette:** I really had some reservations about putting that in, but I thought, “No, I’m going to do it anyway.”

**The Chair:** And you did a much better job than I did at it.

A couple of scheduling items just before we leave. First of all, tomorrow at three o’clock John Sweeney is unavailable, but his parliamentary assistant, Walt Elliot, and the deputy minister will be in attendance.

At two o’clock we have the Honourable Charles Beer, who will have a prepared statement based on the questions and issues that have come before us.

The parliamentary assistant and the deputy minister from the Ministry of Housing will be here to respond to our questions. They do not have a prepared statement as such, so you can give some thought to what questions you would like to put to them.

The other item is the schedule for Thursday afternoon. Although we have basically agreed to the schedule before us, which gives us deputations in the morning, the 11:30 am has been cancelled. The Family Services Association has withdrawn.

So on Thursday morning our final presenter will be Persons United for Self-Help in Ontario at 1110. We are technically scheduled to come back at two o’clock for instructions. We could conceivably start that right at 11:30 and go for an hour or an hour and a half or whatever the committee felt was necessary. We could even bring in sandwiches, if the committee felt it would like to do that. Would that interest everyone? Karl?

**Mr Morin-Strom:** Get it done as soon as we can.

**The Chair:** We would start right after the deputations. We would start basically at 11:30 and then we could possibly be done by one o'clock. Do you want sandwiches? Does that help some of the members who are having difficulties? Could we have an idea?

**Ms Hošek:** I will be here Thursday morning, but I cannot stay for the whole time, so do not be surprised if I have to leave.

**The Chair:** The other thought too is that anyone who cannot stay, if you have any specific concerns that you want to address to our researcher, you could perhaps put them in writing between now and then, and we can deal with them that way. Is that helpful for everyone else?

Shall we order sandwiches in? For how many? Could we have an idea? Doug, shall we order some sandwiches in on Thursday? A simple nod is generally effective. Thank you. Six, okay.

**Mr Morin-Strom:** Will the discussions be in camera?

**The Chair:** The instructions to the researcher? Is that normal? I am sorry, this is my first go-round at this. Is that normal?

**Mr Morin-Strom:** Usually the government asks for it. Usually the opposition objects.

**The Chair:** So you are just trying to be a little obstreperous here, are you?

**Mr Morin-Strom:** The norm has been permitting one staff representative from each party as well, one researcher.

**The Chair:** So we will say yes, it is going to be in camera, you will object and we will have staff researchers here. And we will have lunch. Anything else?

**Ms Anderson:** I have the summary of recommendations up to Wednesday at that point, but I guess I can make those days and they can go straight in.

**The Chair:** I think probably you can have everything but the Thursday morning stuff summarized and we can probably pick those recommendations out that morning.

We are adjourned till 10 o'clock tomorrow morning.

The committee adjourned at 1642.

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## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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**From CAA Ontario:**

Laviolette, Leo, Vice-President, Public and Government Affairs



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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Wednesday 24 January 1990

The committee met at 1002 in room 228.

### PREBUDGET CONSULTATION (continued)

**The Chair:** I would like to call to order the meeting of the standing committee on finance and economic affairs. Our first presenter this morning, as we continue with our hearings on prebudget consultation, is the Centre for Independent Living with two presenters, Susan Forster, a staff member and Blind Organization of Ontario with Self-Help Tactics representative, and Scott Seiler, peer advocate worker. Welcome and good morning. Thank you for coming. We have set aside about 30 minutes for your presentation and for questions back from committee members and would appreciate if we could stay within those confines. Begin whenever you are ready.

### CENTRE FOR INDEPENDENT LIVING IN TORONTO

**Miss Forster:** Thanks very much. Have we provided everyone with a copy of our brief?

**The Chair:** Yes.

**Miss Forster:** Great. I will start first of all by saying that we will each introduce ourselves separately, and I will just talk a little bit about the Centre for Independent Living and just give you a very brief background, and then Scott will talk about the particular position that we would like to present today. Then I will come back again and talk about how Scott's specific points relate to the whole philosophy of independent living. Then I will turn it back to Scott, and he will give some specific recommendations. You might notice at the end that we have a letter of support from VIEWS, which is an organization for parents and families of children who are visually impaired or blind. We are in the process of collecting other letters of support that we will certainly be able to pass on to you.

I will start by saying that my name is Susan Forster, as you noted earlier. I am the literacy link co-ordinator at the Centre for Independent Living, and today I am also representing BOOST. Most of you have heard earlier, I think, two staff persons from BOOST, but for those of you who do not know, BOOST is the Blind of Ontario Organized with Self-Help Tactics.

I should tell you a little bit about the Centre for Independent Living. We were founded in 1984, and we are an organization, a community group, that is run by and for people with disabilities. The majority of the board of directors, for example, are persons with various different disabilities, and currently five out of our seven staff persons have a disability as well. Our whole philosophy and our mandate relates to providing information and referral of all kinds, primarily to consumers who contact us, information in such areas as accessible housing, provision of attendant care, employment opportunities—I have been doing research and development on literacy so we will have more contacts in that area—government programs and services, assertiveness training, etc. Any topic you can possibly think of, we get calls on it. We also provide information to service providers, to other interested people in the community, and of course all our services are free.

Really, the whole purpose of this is to provide consumers with the ability to make informed choices about their lives, so that a person with a disability can take part in society and, in other words, be independent.

I should also mention that in addition to information and referral we do peer support and personal advocacy. As Scott will reinforce, we are not a lobbying group, but we are primarily an information organization. Before I turn it over to Scott, I will just also say that across the province there are several independent living centres and 10 across the country, soon to be 12, and we belong to the Canadian Association of Independent Living Centres. Now I will turn it over to Scott.

**Mr Seiler:** Hello, everyone. I am a peer advocate with CILT. A peer advocate is somebody who does individual advocacy for people who are disabled in many different ways; that could be in employment, finding housing, or in talking to service providers. I also do a fair bit of consultation with service providers and others as well as consumers.

I am here, actually, representing somebody who does not really want to be named, and that is how I can appear here, because our mandate actually states that we are not supposed to be

doing lobby activities, and this is a lobby activity; so, to make that very straight.

Our actual position in this matter regards the assistive devices program through the Ministry of Health and asking for full implementation of the communication aids category for people who are visually impaired and blind. This is an extremely important category within the program, simply because people cannot communicate if they do not have these devices. They cannot read letters; they cannot write letters; they are very isolated. In fact, it actually comes down to looking at dangers for people as well, because if somebody does not have an assistive device to look at a bottle of pills to find out what the pill bottle says, he could take the wrong pills or something, and you cannot always rely on others. It is not even really good to have to rely on others to always do things like that for you.

There are several different groups of people who are blind and visually impaired. The most significant and growing group will be the elderly, and they will need these devices for many, many different things. I have heard stories of people who are elderly and have not even seen their grandchildren because they do not have a video camera and a large screen to be able to look at a photograph. I think this is tragic, that people cannot even see a photograph of their family members.

The discrimination is related to age, really. Here in the province there is a tremendous number of people who have visual impairments, who are both older and younger. Now, the younger set need these devices for work, for school and for many other different activities of daily living that they do, along with the seniors as well, although maybe work is not in there, but education could possibly be there.

We were wanting the discrimination ended as soon as possible. There were promises made in 1988 that the program would be fully implemented in January 1989, and the promises were never actually carried out. There was never even any inkling of why they were not carried out. There was never a press release or anything describing the results of a study that might have been done, or anything, to prove that this was something that should not be done. Other than that, I can turn it back to Susan.

**1010**

**Miss Forster:** Scott has talked about one specific issue area, and I know you like to get a broad spectrum of issues from each organization, but we thought this was a very important issue to talk about. I would like to stress that although our

organization is cross-disability, because the two of us happen to be legally blind, we are focusing on this specific issue because it is a concern for people with this disability, although of course we have other concerns.

How do Scott's remarks on the assistive devices program relate to independent living? I would say that access to technical aids, such as those provided by ADP, is one route to independent living. As Scott has said, it is very important for educational or literacy skills. Certainly for a person who is blind in our society, computer literacy is becoming more and more a must in order to be independent. Whether assistive devices are provided for daily living, and people will say, "Well, there are other sources for computers for employment," we certainly have heard rumours that this might change.

Clearly, if a person uses a computer in the home for purposes of daily living and improving his educational opportunities and his independence, this has implications for work opportunities. Although we do not say that every person with a disability can always work—this is not always possible—certainly the rate of unemployment that we see is extremely high.

From the point of view of our philosophy, we would like to see people become fully independent with more assistive devices. That may mean needing assistive devices. It may mean directing their own care. It may mean more accessible housing, which we see a dearth of. But nevertheless, from your point of view, if you have more of us off social assistance and out there in the workplace, we are going to become taxpayers, part of and fully participating in society and fully being human beings.

What we have tried to focus on is one issue, but we really see it as one route to independent living. As I said, there are several other routes, but this is an important portion of that whole process. We would just like to stress that our whole philosophy is encouraging people to take part, to become full citizens in, our society, and this is one way that they can do it.

I would like to also say that the provincial government has stated that it does support the process of deinstitutionalization. In a sense, all grass-roots community work is responding to that process, assisting in that process, helping people find what resources are there, even if they are scarce, and making the best possible use of them. We are putting that policy into effect, but currently, apart from limited project funds, we receive no provincial government funding. I

think that is a simple point of fact that I can still make within our mandate.

I guess what I would like to do is, although I have made some general points, I would like to turn it back to Scott to talk about the recommendations. But one final point, again simply a point of fact: The publication of the report *Transitions* was greeted with a lot of fanfare, and I note that in the opportunity planning and other sections of the report these kinds of programs, like assistive devices, like technical aids, have been recommended. Clearly, although the report has been used as a lobbying tool, there has been great respect for that report as being well researched and well documented and very representative of a broad range of people in the community. Therefore, I would say that we could certainly use this as very valid backup for the position that we are taking. So I will turn you back over to Scott for the recommendations now.

**Mr Seiler:** There is an overview of actual CILT and what we do. That is the acronym for Centre for Independent Living in Toronto, and no, we are not the stuff at the bottom of the lake.

**Miss Forster:** More information is provided there.

**Mr Seiler:** Recommendation 1: To end the age discrimination as soon as possible by freeing up more money.

2. To fully implement the equipment category of communication aids for the blind and the visually impaired.

3. To make sure that if the age restrictions are lifted they will not be replaced by more restrictive entrance requirements.

4. To encourage a loan program as opposed to consumer ownership of the equipment for those whose needs are changing.

5. A general flexibility should be built into the system which will be based on a person's needs, not just to follow the standards that the system allows.

**Miss Forster:** We would certainly welcome questions at this point.

**Mr McCague:** Your fourth recommendation, to encourage a loan program as opposed to consumer ownership of the equipment: What does that mean?

**Miss Forster:** Are you going to answer that, Scott?

**Mr Seiler:** Sure. I perceive that a loan program would free up more equipment to more people and would lend people equipment whose needs are changing. If they have multiple sclerosis, say, and their needs are always

changing, this equipment could be given back and then other equipment exchanged for it that would meet their needs at that particular time. That way a person would not end up with three different devices and none of them being used, and no one else can get those devices. It would keep devices always in circulation, so people would always have the things that they need. It would also cut down on the cost.

**Miss Forster:** I would just like to comment on that. What sometimes happens too is that if equipment is bought, I think it is appropriate for someone who is younger, especially someone who is in the workplace, to have his own equipment, but sometimes if his vision changes dramatically, or if equipment becomes totally out of date for someone in the workplace who needs something that is a bit more efficient, it becomes very difficult to get more equipment. It is like, "You've got it once and that's it for the rest of your life." We all know how fast computer technology is changing.

So for someone whose vision is not stable—many of us have stable vision—it might be more appropriate for a loan program. Also for someone who wants to use something in the home, he might not want all the sort of fancy gadgets and the one that can do this and that in five seconds instead of 15 or whatever, where someone in the workplace might really need more up-to-date equipment. This is not to discriminate against any of the age categories. We are just trying to stress that people's needs are different in the different age categories.

By the way, although we say that there are more people who are older who will have poor vision or be legally blind, we do not want to underemphasize the needs of the younger group of visually impaired and blind persons, either.

**Mr McCague:** You are recommending the expansion of the assistive devices program, but in particular you seem to zero in on visual and hearing aids. Why did you choose to do that?

**Mr Seiler:** Because these categories are not covered and they are critical, especially for people with vision impairments and hearing impairments as well, because that is their means of communicating with the world. If I cannot communicate with the world as a visually impaired person, what good am I to the world?

1020

**Mr McCague:** A lot of people have recommended expansion of the assistive devices program, and we might want to get a handle on what it costs and the various aspects of expansion



of it in order to make a recommendation to the Treasurer (Mr R. F. Nixon). My experience would be, in my area of the province, that if a person needs assistive devices other than for hearing or sight, they are usually available through service clubs or some service organization.

I know the Canadian National Institute for the Blind is there, but everybody seems to forget about those who are on the borderline of sight and hearing. There is a certain reluctance on behalf of our constituents to complain or push hard if sight or hearing is their problem. So I think it might be one that we might want to recommend in the final analysis, but not without some data from the ministry or whomever.

**The Chair:** We will have our research officer look into that and bring us that information.

**Miss Forster:** Could I respond to that briefly?

**The Chair:** Yes; go ahead.

**Miss Forster:** I recognize the important role played by Rotary Clubs and Lions Club International. The problem becomes that in a sense you are in a position where you are depending upon whether or not that particular charity has the money to give that year. It is very much a catch-as-catch-can situation and people can end up waiting a very long time.

I am not denigrating the excellent work done by many of these organizations, and it is one source, but I would be very, very reluctant to see people rely on this source because, frankly, there are so many people competing for charitable dollars. Even the United Way has difficulty, and that is a large organization.

If the Rotary Club changes its focus the next year, it is like, "You were last year's fashionable disability to give to, but this year we're doing such and such." It is possibly one option, but I would be very uncomfortable with that being a primary focus. I think it can be a real problem if it is applied all over the place.

**Mr Morin-Strom:** I am not aware of the types of equipment you are talking about. I wonder if you could enlighten us in terms of how this equipment operates, what are the kinds of costs we are talking about and how many— Mr McCague's point was on what dollars we are talking about, and I guess in this case it is in the Toronto area, and what the numbers are of the visually impaired who need access to some of the various equipment that is available.

**Miss Forster:** I think there are approximately, at most, 60,000 visually impaired and blind people across the province. The CNIB would

have good statistics on national figures. I am sure there are at least 20,000 in our city, because more people tend to come to the major cities.

The kind of equipment you are talking about—for example, I have a regular IBM-compatible computer with a software package and just a small printer, but what comes with it is what is called a Lyon large-print program. What that means is that—I have usable vision; as you can see, I can read print fairly closely—it splits my screen so that on the bottom I have about this much space, so that as I am typing I can see the letters about this big and then the rest of the screen has just normal-size letters.

If I want to go into the text of what I am writing, I can press a button and it will enlarge what it is on the screen so that I can see in a wraparound way a few different lines and scroll around to see what I have written, because for me, for example, to type is almost pretty well impossible because I cannot see what I am typing as I look through that tiny little thing there.

For someone who is blind, there are computers now that have voice output, which means as you are typing away, it says, "Dear Mr." It talks away like that. IBM has a lot of equipment, and other companies do. There is a company specializing in equipment for visually impaired and blind people in the Toronto area.

You could have various different things like that. There are little Braille-and-speak devices which are fairly inexpensive. You type in and it turns it into Braille so someone can read his own Braille. Or you can have a fairly expensive laser printer with which you can either print regular print or you can print in Braille. Laser printers can print in large print for those of us who have usable vision.

For my computer, you are talking about \$4,000. However, that equipment will last me several years and it has allowed me to function independently in the workplace and to hold down a full-time job, so I think it is a good investment. After all, you do not ask a secretary to purchase her own IBM electronic typewriter these days.

**Mr Morin-Strom:** How co-operative do you find the business community in terms of supporting those who are attempting to work or are already working and facing these kinds of impairments?

**Mr Seiler:** The business community is actually very co-operative, but there is only really one problem: It do not know how to get these devices. They do not know what is appropriate and not appropriate for each individual, because everybody's needs are so separate. That is why really it

is more appropriate to bring your own device with you to the workplace than to have the workplace try and develop a system whereby it can accommodate everyone, because that is really impossible due to the needs of each person being so individual.

**Mr Faubert:** Mr McCague touched on the issue I wanted to raise. I wanted to first thank the deputants for coming and say that although the brief talks about the problems of the visually impaired I think they also speak on behalf of the full implementation of the ADP by the Ministry of Health. I think that alone is something certainly of use here.

But I wanted to also follow what Mr Morin-Strom said about the figures. You say in the brief that there are very few blind or visually impaired people who are between the ages of 26 and 65. I just wondered if you had statistics so that we can compare it—

**Mr Seiler:** Yes, the CNIB has those kinds of statistics.

**Mr Faubert:** I take it that your brief is addressing Metro Toronto; you are not talking about Ontario-wide.

**Mr Seiler:** No, I am talking about Ontario.

**Mr Faubert:** So you are saying that the need is large.

**Mr Seiler:** The majority of visually impaired and blind people are elderly, but the people who really need the services probably the most right now are people who are younger and are of age to be working.

**Mr Faubert:** They would be employable if they had this assistance.

**Mr Seiler:** Exactly. That is the whole key to it: employability. We are looking at integration and mainstreaming and all of these different things that everybody talks about, but this is some way to actually do it.

**The Chair:** I want to thank you for your brief and for taking the time to come here and to tell you that this afternoon the Honourable Charles Beer will be before the committee, and perhaps at that time we can get some more information on the ADP, and our research officer will also see if she can find some additional information. When we do our report we will take that into account. Thanks for coming this morning.

The next group of presenters is the Ontario Public School Boards' Association: Ruth Lafarga, president, and Penny Moss, executive director. Perhaps some additional folks are with you, and you could, if you wish, introduce them. Welcome, and thanks for coming this morning.

We have set aside about 30 minutes for your presentation and for questions from committee members, and would invite you to begin whenever you are ready.

#### ONTARIO PUBLIC SCHOOL BOARDS' ASSOCIATION

**Mrs Lafarga:** I would like to introduce Nancy Bentley on my left, who is second vice-president of the Ontario Public School Boards' Association, and Penny Moss, who is executive director. I want to thank the committee for the opportunity to present its views on the provincial budget to the standing committee on finance and economic affairs.

Our submission really has three objectives. We wish to inform the committee about the current state of financing; second, we make some specific recommendations for consideration in the 1990 provincial budget, and third, we would like to raise some serious consequences of inadequate funding.

It is very timely that your committee is meeting this particular week in light of the fact that the third report of the select committee on education, which focused exclusively on finance, was presented on 17 January. It presented a consensus of the three parties, and we certainly hope that you will have an opportunity to review that document. In talking about the current state of education finance, it looked at the shared responsibility and it had three particular themes: equity, adequacy and accountability. The Ontario Public School Boards' Association's submission to the select committee is available and has been handed to the clerk if anyone is interested to take the time to read through it, because that brief reflects these three things.

#### 1030

Our association represents 92 boards across the province of Ontario. It includes the most remote of our boards and the very largest, from rural to high-growth city boards. What we find in the reflection of those boards is that they all share grave financial difficulties because of responsibilities at the local level and the initiatives from the provincial government. What we see is a shift in the distribution of shared responsibility. We are seeing more and more mandated programs yet decreased funding for those programs. What we find is that the taxpayer burden is becoming intolerable. In 1975, the government was funding the provincial share of education at 55 per cent. That declined for public boards to less than 35 per cent in 1988, and it is anticipated that in 1990 it will be less than 30 per cent.

The select committee points out that it is expected that in 1990 education will be 12 per cent of the total provincial spending, and it makes the comment that this has steadily declined since 1980, yet we hear the rhetoric about education and how important it is. We know of the competing demands for money from other ministries and from those who would not support education, yet the report of the Premier's Council states that, "To compete effectively in a new knowledge-intensive global economy that relies primarily on human capital, excellence in educating our workforce is our single most important strategic weapon." We would suggest that the training of that workforce certainly starts in our schools.

Second, we want to comment on the grant ceilings. The gap between what is spent and what is grant is increasing. In the select committee, and I quote from that report:

"We heard consistent themes from trustees, administrators, teachers and other practitioners about the state of education finance.... The current provincial funding structures and approved ceiling levels were inadequate to meet needs." "The consistent nature of this input has impressed the committee.... From one end of the province to the other...the existing ceilings do not realistically cover the costs."

In fact, we feel that they are more floors than they are ceilings, so what we find is that educational opportunity in the province of Ontario really does depend on the community's tax wealth or its tax poverty.

We support recommendation 3 of the select committee, which is quite a long recommendation, that:

"The minister should consult with the key partners in education as soon as possible in order to:

"determine a clear and understandable mode of calculating the cost of providing the education services mandated in the Education Act and identifying the basic components of recognized expenditure;

"develop a rational means of updating these cost calculations and ceiling determinations; and

"complete the development of these calculations by August 30, 1990."

We would, however, ask you to realize that the minister does not have to wait for the report of any task force or committee to raise the ceilings.

Our third point is about the provincial transfer payments. The Treasurer has announced that in 1990 the transfer payments for school boards will increase by 8.7 per cent. How will this impact?

We do not know that, because we do not know what the general legislative grants will be. We do not know how it was calculated. We have reason for concern, though, because in 1989, when that increase was 6.1 per cent, it was slated that four per cent was for inflation and 2.1 was for new money to fund the new initiatives such as the class size, science and various other initiatives. There was no account in that for the two per cent enrolment growth or the full costs of the new initiatives, so what we found across the province was that many boards had double-digit mill rate impacts, the highest being in Muskoka, which was over 20 per cent.

In fact, what did happen in 1989 was that \$1 billion of additional money had to be raised by local taxpayers. Their share went from \$4.7 billion to \$5.7 billion; the province's share was \$4.1 billion. Why was the 8.7 figure chosen? We do not know, but when we presented to that committee we suggested that we would need at least 12 per cent this year. We find that our boards will be in the conflict of either double-digit mill rate impacts again or cutting programs, and when the rhetoric is on the importance of education, we do not believe that that is a priority.

There is further uncertainty for school boards apart from what the transfer payments will be. There are a number of provincial initiatives currently under discussion by the ministry: changes in transportation grants, changes in the average daily enrolment—how that will be calculated—in remoteness grants, and adult education. We have been pleased to see the various options that have been proposed, but we have not been privy to any of the impact analyses. It is extremely difficult for us to comment on those until we have seen the impact analysis, and it also makes planning for our boards virtually impossible.

Our next initiative, which is of major concern to us, is the pooling of publicly traded corporations. We have been aware of the commitment of the minister and the government that there would be no net loss of revenue to public school boards. Along with the changes in the pooling come the boundaries in assessment. Yet we are also aware that the minister has made statements that public boards will lose and that no one is aware of what the impact will be until we get the assessment notices, so it can only create an environment of uncertainty and a lack of planning ability for our boards.

The fifth area, and one with which many people on this committee are very familiar, is that



of capital needs. We certainly want to acknowledge again our gratitude to the government for the amount of money it has made available for capital needs over the past few years. In 1990, 1991, 1992 and 1993 that commitment is \$300 million, for a total of \$1.23 billion, and yet, of our 4,600 schools, we have over 1,000 that are 50 years old with an estimated value of \$20 billion. This year, school started with 7,500 portables with 200,000 students in those portables. This is double the figure for 1985.

We are very grateful again for the access to lot levies for boards in growth areas, although we share some dismay that the rate of grant was cut from 75 per cent to 60 per cent, particularly this year, because no board is in a position yet to access the lot levies, so there will be a gap between those times. We would certainly ask the committee to consider making a recommendation that the dedication of sites be made available too. We find that boards in the growth areas are facing costs of \$750,000 an acre, formerly \$250,000 an acre, and when you are looking at a minimum of six acres, that is quite prohibitive.

We would also like the needs of renovation and replacement to be addressed and we feel that there should be a specific allocation in this particular area. Our recommendation would be that, for the 1994 and 1995 years, the government increase the amount available for capital to \$400 million, with that specific allocation dedicated to renovations and repairs.

Our sixth area of concern is about new initiatives and new costs. Apart from the downloading of the costs, which is one aspect, we consistently see new initiatives, both federal and provincial, which impact on school board costs. I would like to take the time to run through them.

In education programs we have seen child care, class size reductions, heritage language classes, drug education, AIDS, changes to our curriculum, kindergarten expansion and French as a first language.

#### 1040

In the finance and governance area we have seen the extension of separate schools and French school boards, the pooling of industrial and commercial assessment, trustee redistribution, school board boundary changes, the reduction in the grant rating, new pupil places and development charges.

For school boards as employer, and often not exclusively coming from the Ministry of Education, there is the pay equity impact—and just this week the Pay Equity Hearings Tribunal an-

nounced that that will impact on teachers, with an estimated cost to public school boards of \$60 million a year—the employer health levy, affirmative action goals and employment equity.

In taxation in the greater Toronto area, school boards will be impacted by the new tax on tires and the increased vehicle registration fees.

Federal initiatives are increasingly impacting on our budgets. These include unemployment insurance premiums, Canada pension plan changes, copyright legislation and immigration, which has an impact not only in English as a second language programs but also in the social programs that we have to offer for children who are coming from devastated parts of the world.

We do not present that as a litany of woes. We support many of those initiatives, but nevertheless they are expensive for school boards and they must be paid for. As I mentioned, we estimated this year, when we met with the Treasurer, that we would need 12 per cent this year. Our estimates were six per cent for the true cost of inflation, enrolment increases of two per cent, catch-up for what was not in last year's budget of two per cent and new initiatives of two per cent.

In summary then, the provincial support of public schools has definitely declined since 1975. What we need is a method of financing that will show the revisions for equity and equal opportunity. A recent editorial in the *Oshawa Times* said, "How much longer can the provincial government ignore the increasing demands for reforms to the way our education system is funded?" We do not ask for tinkering. We ask that the real problems be addressed and that the inadequate level of provincial support be increased.

We have a number of recommendations in our brief—I do not know if you wish me to—

**The Chair:** You might want to read them into the record.

**Mrs Lafarga:** The Ontario Public School Boards' Association recommends that the standing committee on finance and economic affairs:

1. Endorse recommendation 3 of the third report of the select committee on education and urge the Minister of Education (Mr Conway) to implement it immediately.

2. Urge the Treasurer and the Minister of Education to make an immediate interim adjustment to raise the per-pupil grant ceilings on approved expenditures.

3. Request that school boards be provided with an analysis of the announced 8.7 per cent increase in operating grants and that the impact of

proposed changes in transportation, enrolment determination and remoteness allowances to the GLG regulations for 1990 be made available to school boards.

4. Urge the provincial government to fully fund the cost of recent initiatives, including those that affect the school boards as an employer.

5. In particular, urge the government to reimburse school boards for the costs of OHIP premiums paid on behalf of employees for the period January to March 1990.

6. Recommend that the 1990 provincial budget include a commitment of capital grants to school boards of at least \$400 million in each of 1994 and 1995.

7. Recommend that an additional allocation of \$180 million in 1991 and \$70 million in 1992 be made for capital projects to partially address the backlog of school capital needs.

8. Recommend that the provincial government enact a law or amend the Planning Act to require real estate developers to dedicate land for school sites or the equivalent in case.

9. Recommend that the Ministry of Education, in collaboration with school boards, develop a comprehensive capital investment strategy for the renewal of Ontario's ageing elementary and secondary schools.

**The Chair:** Thank you. I am sure we will have questions. I have, just on your first recommendation of endorsing our select committee report. As I am sure you know, I was a member of that committee, and one of the difficulties we had while travelling all around the province was in getting the answer to the question of, "What are unapproved expenditures?"

While we are recommending very clearly that the ceilings are inadequate in that report, we are also trying to determine what those ceilings should be. There may be not just a need to increase the dollars up to the higher ceiling of unapproved expenditures, but to identify certain unapproved expenditures and eliminate them. We are not sure on that and could not get a handle on that, so it could be a double-edged sword, in a sense. That really was the gist of at least the majority members of the select committee on that recommendation, not just simply to cover the \$2 billion in unapproved expenditures across the province.

**Mrs Lafarga:** Our report to the select committee stated, in fact, that we did not have an answer to that but that we were very prepared to consult on it. We acknowledge what you are saying.

**The Chair:** I might add as well that the select committee recommended your recommendation 8, which is land dedication. But I think it should be clear as well that when you tie lot levies and land dedication, I do not think the boards can have their cake and eat it too in that sense. There has got to be some negotiation that if developer A dedicates land, then that developer should get a certain amount of credit for lot levies and developer B should not necessarily get a free ride and not have to come to the table. So there is a lot of negotiation that would have to take place out of the select committee recommendation and out of this report as well.

**Mrs Lafarga:** We were well aware of that. We believe that school boards, nevertheless, should be treated like municipalities and have that option. We are certainly very prepared to sit down with developers because we hear what developers are saying about the possibility of building schools in different ways.

**The Chair:** It has always been amazing to me, as a municipal politician for almost 10 years, that we would get land dedicated and lot levies collected—illegally, by the way, in our city, but we did it anyway—to build arenas and community centres but schools were never treated in that way. So that whole underlying principle of the lot levy legislation changes that.

**Ms Hošek:** I just wanted to ask you a larger question that perhaps I should know the answer to, but please forgive me. Does your organization have a position on the question of the role of the property tax in funding education? Are you one of the groups that thinks all education should be funded out of the provincial Treasury or do you have a position on this whole question? It is a general one.

**Mrs Lafarga:** I will make a start and then I will ask Penny. We feel that there should be local contribution to the cost of education because that is the whole basis of school board participation: local autonomy. We have not taken a position or examined other ways of funding education.

**Ms Moss:** I think it is fair to say that as our member boards experience this shift, downloading as we call it, the sensitivity about the appropriate sources for funding schools is becoming more and more a matter of concern. It used to be within the largest of the urban boards with the largest tax bases that we had most concern; it is now growing.

One of the concerns, when you look to the role of the schools and their particular focus on the education of the young, is the experience of

school boards in having to raise excessive taxes from people who no longer are direct users. They no doubt benefit from schools, but they are not direct users. There is a sense that there is an unfairness to that level of local service in which not everybody has an immediate benefit being borne on the property tax.

**Ms Hošek:** I must say that I get the same kind of response from talking to the people whom I represent: there is an erosion of belief in the usefulness of their paying taxes once their children have grown. This causes me great dismay, but it is certainly out there and I guess I wondered whether you have come to the certainly somewhat radical conclusion that some people have come to: that really the property tax should have no role. But you have not come to that. It is a question of getting the mix better.

**1050**

**Mrs Lafarga:** Getting the balance, and certainly we have a great sensitivity to those on fixed incomes.

**The Chair:** Maybe you could expand for me a little bit on the concern of the capital reduction allocation to 60 per cent. Before you do, just clarify my difficulty in understanding that if you have \$300 million a year committed to capital and that figure does not change, and you create a new mechanism for raising additional capital dollars in lot levies and you reduce the portion of that \$300 million from 75 per cent to 60 per cent, would you not then be able to build more facilities for the same buck?

**Mrs Lafarga:** The problem is the phase-in period, because the legislation was only approved in December. It will take boards some time before they work through the bylaws that are necessary. There is quite a long process outlined in the legislation. There has to be consultation; there have to be the correct assessment of the number of new approvals in your area; there is quite a stage that we have to go through. Most boards are just working through that. In fact, I do not believe that the government had the regulations in place when the legislation went through.

So I would see that it would take at least six months before the bylaws are ready, even if everything went smoothly. Of course, if there are any Ontario Municipal Board challenges on that, that could be stretched out quite a while. In the meantime, the boards that are building in this year will have their rate of grant reduced to 60 per cent from the 75. So in the short run there is that gap of 15 per cent that will impact on local budgets.

**The Chair:** So the boards may have to indeed debenture a little more and that will cost in interest dollars for a short term. But ultimately that 60 per cent will indeed generate more dollars than the 75 did.

**Mrs Lafarga:** Yes, absolutely, and I believe the aim of the government was to free up some money for renovations and repairs, too. We certainly support that because it has been an association position to recognize that. So in the long term we are hopeful that it will have a positive impact.

**The Chair:** That was also a select committee position. So it sounds like we were talking and listening at the same time. Anyway, thank you very much. Mr Haggerty? This should take 15 minutes.

**Mr Haggerty:** You forgot me this morning, Mr Chairman. You have had three questions.

**The Chair:** I have been sitting here waiting.

**Mr Haggerty:** Now I have got somebody's attention, but you were not listening.

**The Chair:** Sorry; I did not have your name. But go ahead.

**Mr Haggerty:** I have perhaps two questions and one deals with one of the recommendations: number 8. It says, "Recommend that the provincial government enact a law or amend the Planning Act to require real estate developers to dedicate land for school sites or the equivalent in case."

One could agree with that. I think that is a good approach to it, because I am thinking now of a former Minister of Education, the Honourable Tom Wells, who made a policy statement in the Legislature, or he had a brief on it, anyway. He suggested that the schools should be the major resource centres in the community: that they should be open, you might say, seven days a week, not for education purposes but for use of the gym facilities; that the libraries could be improved in the schools—you know some communities did not have libraries, back then; and to use the recreational field for the whole public to make use of.

I think that many programs that we have now, like literacy, for example, where we do have different groups in the community that are providing that information or assisting people in this particular area and are receiving grants from the province, could be done in the schools. I think there are areas that we should be looking at in this particular area. If the dedication of—five per cent, is it?—of land for development purpose now goes to the municipality usually for park



purposes, the school site could be used as a park and for recreation purposes. The other is—

**The Chair:** Or cash in lieu.

**Mr Haggerty:** That is right. Some municipalities have been hungry in that area and forget about the parks.

I do not know what page it is, but you said, "Our member boards are again predicting double-digit mill rate increases, some as high as 20 per cent." Can you give me the number of school boards? I picked up on the radio this morning from the Niagara region that schools of both the public school boards in the city are looking at double-digit increases this year. They blame it on pooling of assessment with Bill 30 and the movement of students perhaps from the public school system to the separate school system. Do you have any numbers on that area? Has the enrolment gone down in the public school system and the shift gone now to the separate school boards in student enrolment?

**Ms Moss:** In fact, across the province as a whole enrolment in the public sector has increased, as has enrolment in the separate sector. To separate out the specific effects of secondary enrolment transfers because of Bill 30 is not entirely straightforward. Where you see dramatic effects quickly is where whole high schools have been transferred from one system to the other because there is a very substantial decline. Because in most places across the province the decline has been gradual—grade 9 the first year, grade 10 and so on—the inability of the public boards that may have lost secondary school pupils to make any difference of substance in their spending because of that has had the effect of increasing, if you like, per-pupil costs. There have not been many communities where the shift in pupils creates the need to eliminate a whole school, for example. It is pupils across the jurisdiction.

**Mrs Lafarga:** If I could, I would like to address the capital issue you asked about. Many school boards are going into agreements now with their municipalities and putting in community use of facilities. They are actually building enlarged gymnasiums that will be available to the public, they are putting community rooms in, they are enlarging the staff rooms so that the community can meet in them, and they are being very progressive in these particular areas. I think that is one we should support. When you look at the cost of a new secondary school of approximately \$25 million, it cannot be other than for the whole community—I think, around the clock.

**Mr Reycraft:** During the deliberations on Bill 20, we heard that as a result of using development charges for construction of new schools developers would increase the price they were charging boards for school sites. Has your association done a survey of its membership to collect data to indicate whether that is happening or not?

**Mrs Lafarga:** We have not surveyed the membership but we do know that some boards have found that where they were getting land at a reduced rate before, they are now told that they will pay full price. It is very difficult to know whether that \$750,000 figure from \$250,000 is just the increase in cost of land or whether that reflects the fact that now developers will have to contribute to lot levies. We do not have any definitive—

**Mr Reycraft:** Will you be trying to collect that kind of data?

**Mrs Lafarga:** We have asked for it.

**Mr Reycraft:** I wonder if the committee could ask that when the information is available it be communicated to us.

**Ms Moss:** Yes, certainly. What we have said to the boards is that we want the precise information so that it is at the time of purchase of the site, for example, rather than in this current period where there is a lot of speculation about what the purchase price will be with the implementation of Bill 20.

**The Chair:** I guess the argument would be that if you put land in at a reduced price, it in essence becomes a hidden levy. So if you are going to have apples and apples, you have to put the land into the equation at market value, the levy into the equation at full levy and then do your offsetting credit in negotiations. If you put a \$750,000 acre of land in at \$250,000, there is a \$500,000 hidden levy, in essence. So I think it is a legitimate point.

**Mr Reycraft:** Good. Thanks, Mr Chairman.

**The Chair:** Thank you very much for your brief and for coming. As usual, it is very insightful. I am sure you are aware that we have heard many of the comments from other organizations in your field, and there is a definite consistent message coming to us.

Our next group of presenters is the Ontario Cable Telecommunications Association. We have Walter Weckers, president; Gaston Germain, the chief executive officer of Northern Cable Holdings Ltd in Sudbury, and Andy Gubbels, OCTA director, northern zone, from the great community of Kenora.

Mr Miclash, it is nice to see you here this morning.

Welcome. We have about 30 minutes for your presentation and our questions, and I invite you to begin whenever you are ready.

1100

#### ONTARIO CABLE TELECOMMUNICATIONS ASSOCIATION

**Mr Weckers:** We are ready. Just to continue with the introductions and so you know who is whom, I am Walter Weckers, president of OCTA. To my right is Gaston Germain from Sudbury; to my left is Mr Gubbels from Kenora.

I appreciate the time you are making available to us. I approach this kind of meeting always with a bit of trepidation because the enormity of the process you have to go through makes our request sort of pale in comparison. We are talking about relatively small amounts of money, it would seem, given the total budget of the province. But I am still happy to be here and speak to the recommendations we are putting before you, because what we are talking about is not in any way going to enrich the cable companies in Ontario. It is a concern that we would like to share with you and is being communicated to us by our subscribers.

As you know there are well over 2.5 million subscribers to cable television services in Ontario and they have had to pay a number of increases to their cable service over the past several years, some of which have been caused by the addition of programming charges such as The Sports Network and MuchMusic, and others because of the general cost of doing business. There has been a total of five increases directly caused by federal—mostly federal—and provincial sales tax increases over the four years since 1 January 1986.

The concern we are hearing from our customers is that they question the legitimacy or the principle of having their provincial sales tax increased every time the federal government makes a move and makes an adjustment to its particular tax. As you know, in 1983 the federal tax on cable services was implemented in order to support, essentially and initially, the Canadian broadcasting system to the extent of a six per cent tax which was added to the cable bill and to which then the seven per cent provincial sales tax was added as well. Since then the federal tax has progressively increased until now it is 11 per cent, and last year or the year before there was an increase from seven per cent to eight per cent on the provincial sales tax.

So the key question that is being asked by our subscribers every time this happens is, "Why should the provincial tax be levied also on the federal tax?" We, of course, explain that this is simply the way it is, but we thought that since there is this opportunity to appear before you and express those concerns, we should take advantage of it and make a recommendation that the provincial sales tax not be calculated on the federal sales tax but on the actual charge as it is being communicated to our subscribers.

We estimate that obviously there would be a loss of revenue to the province. That loss of revenue, based on 1988 estimates of what the actual revenues were in the cable industry, would amount to approximately \$4 million.

In addition there are other concerns that are far more specific to our customers in northern Ontario. For that purpose we have two representatives of our members and of subscribers in the north with us and I would like Mr Germain to add to my comments.

**Mr Germain:** Thank you for giving us the time to express some views and some concerns that affect residents of northern Ontario as they relate to this taxation issue.

I would like to express to you today some concerns of residents in northern Ontario who subscribe to cable services in what we consider to be remote and underserved communities. So I am not representing the views of subscribers in the Sudburys, the Timminses or the North Bays of northern Ontario—those are, in our world, the larger communities—but the concerns of subscribers in the Masseys, the Warrens, the Mactiers and the Noelvilles of northern Ontario. These are communities where on average there are some 200 potential subscribers to cable service. They are paying generally a third to twice as much for cable as Toronto residents or southern Ontario residents do. Consequently, given the mechanism by which taxation is levied, they also pay a third to twice as much tax in absolute dollars. Again, these are communities that are remote and underserved. The cost of delivering services to those communities is higher because we lack the economies of scale. We are concerned, and the views that are expressed to us by our subscribers are that to a degree there is a feeling that there is inequity in the system.

That is why we are proposing to you two possible solutions for your consideration. One is to exclude the signal acquisition costs in most communities. That is one of the major components of the rate. The only way we can deliver

services in those communities is to bring the services down from the satellite: what we call the Cancom service. Generally there is about \$7 of the \$24 rate per month that represents this distribution cost, and of course we are levying tax on that on the final rate to the subscribers. Another consideration might be to exempt the small systems—they are defined as part III systems by the CRTC—totally from taxation.

We offer these views, these concerns and these potential solutions for your consideration. Thank you.

**Mr Weckers:** That concludes our presentation, and we would be happy to discuss—

**The Chair:** Thank you. We have Mr Faubert first.

**Mr Faubert:** I have a couple of questions. Do you have any indication from the federal government that when the GST is implemented it is going to drop the federal communications tax, or is that going to be another tax that is on?

**Mr Weckers:** The best indication we have now is that the GST will replace the tax that is now in existence.

**Mr Faubert:** So that will be a reduction.

**Mr Weckers:** That would be a reduction.

**Mr Faubert:** You point out here that you have had complaints from people that they are then paying provincial tax on federal tax, and yet that is the way all products are taxed, whether you see it printed out or not. Did they not change it? When the federal communications tax was originally put on, it did not show on the bill.

**Mr Weckers:** It does show on the bill.

**Mr Faubert:** It does show now, as it does on the telephone bill.

**Mr Wecker:** Yes.

**Mr Faubert:** The end price of the product upon which any value added tax is put is the cost of the product, which includes all federal taxes. That is for purposes of taxation for any province. So you are asking us to change a basic taxing formula.

**Mr Weckers:** Granted, there is of course the general principle that you have to pay on the end price. The trouble with that is that when people are given an explicit amount before tax, it does not take them long to figure out that they are paying tax on a tax. That is a constant irritation to them, and they make a point of mentioning it to us whenever they have a chance.

**Mr Faubert:** Right. They pay it on the manufacturer's sales tax, they pay it on every gasoline tax. They have all the value added taxes

compounded on gasoline and liquor, on excise. It goes through the total tax system. I just wondered how you can ask us to make an exception in the case of cable services.

**Mr Weckers:** One has to do it one way or the other. In that case, if you were to be consistent, then you would have to say you have to now restate the cable price to include all federal taxes. Then you would at least remove the irritation.

**Mr Faubert:** Or else have a blended tax.

**Mr Weckers:** Yes.

**Mr Faubert:** I just have one last question, just generally on cable in the north. You indicate in here that it is 50 per cent more than the cost in the south. I assume there are a great number of reasons, including remoteness and line charges and all the other things that you go through. But is it also that you face very stiff competition from the dish or the satellite pickup? People have that alternative, which does not seem to be the same alternative that you have in the south.

1110

**Mr Germain:** I really would not call it a source of competition because it is a service that people in communities that are so remote and so sparsely populated will go to because there is no possible, viable way for us to operate a cable service.

**Mr Faubert:** Right; you could not service them anyway.

**Mr Germain:** The reason for the higher cost is primarily that, whether it is a community of 200 households—in fact, we have some communities where we have as many as 44 subscribers, stand-alone cable communities—to take the service down costs the same there as it does for a community of 2,000 or 5,000. So when you are amortizing those costs over a smaller base, of course it translates into higher fees.

**Mr Gubbels:** I think you have to consider also the ongoing operating costs that we incur as well, because of the distances. In our particular scenario from Thunder Bay to the Manitoba border, we get about three effective working days out of our crews and two days of a five-day week are spent driving. We have calculated almost 18 per cent in addition just for our basic supplies for transportation, to get it to our location. And the high cost of receiving signals via Cancom also affects our ultimate rate.

I think one of the points we are trying to make here as well is: I feel that, from the feedback I get from our subscribers, we are reaching a price point that they are starting to object to. We have not taken an increase in six years in our systems,



although there has been an increase every year that I have been in northern Ontario, which is the past six, due to requirements by the CRTC to add additional services and taxation increases.

**Mr Faubert:** Do they allow you an increase within your system?

**Mr Gubbels:** A pass-through charge, not for ourselves but for other people.

**Mr McCague:** On the second page, you have the \$4-million tax exemption you are asking for and then you have the \$800,000. That \$800,000 corresponds, I presume, to points 2 and 3 on the front page.

**Mr Weckers:** That is correct.

**Mr McCague:** I can understand the problem with the first point in exempting you from the \$4 million, because if you do that you have to treat everybody the same way. But with the second point, I do not understand this whole business so maybe you can help me. Exempting Cancom and microwave costs and part III systems: Is that peculiar to the north or is that sort of province-wide?

**Mr Weckers:** It is peculiar to the north. In southern Ontario, most of the US signals are being received off air. For example, in Toronto the Buffalo signals are being received by antennas. In Sudbury and in Timmins, they are being received by a microwave system that is essentially owned and controlled by the cable systems in that area. They have been in existence for a long period of time and they were affordable because there is a significant population base in those towns.

The service of Cancom essentially consists of the delivery via satellite service of Detroit and other US signals. That cost is approximately \$7 and that is the only way in which that type of service can be made available in northern Ontario and elsewhere in Canada. So it is, by definition, the only way they can get it. It is in the range of \$7 per subscriber per month and it is a cost that is not being incurred by cable subscribers who are closer to the border or who live in larger cities, such as Sudbury, Edmonton, Calgary and places like that.

That is the intrinsic difference between those two.

By the way, the problem of extending cable television services to northern Ontario, in particular to very small communities, has been addressed by the government in the form of the television extension in northern Ontario program, which consisted of capital grants that would make it affordable for subscribers to

purchase a service that would otherwise not be economically viable. So there has definitely been a recognition by the government and that has been a program that has been implemented by the cable operators in northern Ontario with great success.

What we are now facing is still a continued cost difference. In other words, simply because you live in northern Ontario, simply because you must rely on this kind of delivery, there is then by definition also a higher tax. Although it is the smaller one of our financial additions here, it would appear that it is still one that is of significant value to the subscribers in those areas.

**Mr McCague:** I have no idea what the significance of the first point is—the \$4 million. If that tax were to be dropped province-wide, it is likely to be very significant. Mr Faubert has defended the fact that you cannot do something different from one place to another, but maybe if it is true that the second point of \$800,000 is something that is peculiar to the north, maybe the Treasurer could be persuaded to be nice to you people and drop that.

**Mr Gubbels:** Just to describe one point in this presentation, there are three different methods of licensing cable systems. Part I licensees are the very large systems like in the metropolitan areas. Part II licensees are the medium-size systems in Ontario. Part III licensees are those areas that are remote and underserved. They are defined that way. The definition with the CRTC is that they have two or fewer signals available to them over the air. That puts us in somewhat of a deregulated environment with the commission, and it clearly identifies that as a separate group.

The province of Nova Scotia has identified that as a problem with the increased rates and has forgiven taxation on those small licensees as well. In real dollars, it makes about a \$2.40 difference on a monthly bill to the subscribers in northern Ontario, each and every month for as long as they keep the service. It does have a fairly substantial impact on their actual bill.

**Mr Haggerty:** Since the province has been involved in teletheatre wagering now that will take place in northern Ontario, will there be any benefit to your companies or firms up in that area, or is it going to be an additional cost to put that out on the television sets?

**Mr Germain:** We, of course, have been approached to see whether this is a service that we would be prepared to put on our cable system. It is something that we have not addressed from the regulatory point of view and I am not sure that it is a service that we will be permitted to put on

the cable service. That is contemplated to be a service that will be on the satellite. It will be taken down in specific areas that are licensed to do it.

**Mr Haggerty:** I thought they would be able to get it in certain areas in Ontario—that whoever is going to be the establishment for receiving offtrack betting would have the television set right there.

**Mr Germain:** But they would have a dish as well and they would be receiving the service via the dish.

**Mr Haggerty:** There would be no benefit to your group at all, then.

**Mr Germain:** I do not know the definitive answer from a regulatory standpoint to the question, but I suspect that we would not be permitted to carry that and give it wide distribution on our cable system so that a person in the home, for example, could be watching the races and wagering via telephone or something.

**Mr Haggerty:** I thought there may be an opportunity for you to obtain some of that lost revenue if you were taking in part of the program to provide betting up in northern Ontario.

**Mr Germain:** Discussions are taking place with the people who run the racetrack in Sudbury. I am not sure, as I say, what the answer to your question is from the regulatory point of view. We just initiated the discussions.

**Mr Daigeler:** With regard to the specific situation in the north, it is rather nice to see you asking for an amount that seems to be quite reasonable in relationship to all the other requests we are receiving. In that regard, perhaps the Treasurer could be convinced to be generous.

1120

My question is: If this tax were to be remitted, would the benefit be to the subscriber directly or to your company?

**Mr Weckers:** It would be directly to the subscriber. This would not change the rate upon which taxes are based, so the actual subscriber fee that we are also asked to charge would not be changed in any way; merely the amount that the subscriber is paying for his or her service would be reduced. So there is no direct benefit.

The only benefit we would be able to anticipate would be that if the service is somewhat more affordable, we might have a few more subscribers. That is the only way in which we would be able to benefit from that, in which case there would again be taxes. Of course, if the taxes are exempt, then there would be no taxes.

But there is no direct benefit to the cable company in what we are requesting there.

**Mr Gubbels:** Obviously, it would give us the flexibility as well to offer more services. I think I find myself, in our section of the province, having a problem with providing some of the specialty services that are in demand, but the price is at the point where it really is not affordable. The subscribers are saying: "A \$25 or \$30 rate is enough. We don't want to pay any more." To add extra services costs \$1 or \$2 in a little 200-subscriber system. We cannot add a new service for pennies like they do in the city of Toronto. We have head-in costs for 200 people multiplied by 14 or 15 systems.

So we get ourselves to the point where a lot of the things that are happening in southern Ontario are just unaffordable in the north, and the tax is just an additional burden to the subscribers in northern Ontario.

**Mr Reycraft:** In your brief you mention a program called television extension in northern Ontario. Is that program still active?

**Mr Gubbels:** Yes, it is at this point. The last round of approvals is happening now—again, I would add, somewhat late—and the program, for us to participate, runs through now until 31 December 1990, at which time we have to complete all our work and submit all final billing to the government.

**Mr Germain:** That is a program, I might add, that has been by and large extremely successful, I think, in achieving its objectives. I will speak for our company: By the time the program is completed, we will have extended service to some 10,000 subscribers who, without the benefit of that program, would likely never have received cable service.

**Mr Reycraft:** Do you know how much money will be made available this year under that program?

**Mr Germain:** In total, no, I am not sure.

**Mr Gubbels:** A guesstimate is that it is somewhere in the neighbourhood of \$4 million. The entire \$10.4 million that was originally allotted is still undersubscribed at this point, I believe.

**Mr Reycraft:** How long was the \$10.4 million to be for? What time period was that to cover, do you know?

**Mr Gubbels:** It was over a three-year period.

**Mr McLean:** I have a question. I was reading your brief before. I am sorry I had to leave. It has been brought to my attention, with regard to the

cable companies—I know that they are looking at the amount of money on tax. Why is it that cable companies charge for two or three different hookups in a home that maybe has one television?

I have an instance brought to my attention that a person had three cable outlets and one TV. They used the TV in the upstairs living room in the winter, took it down to the basement in the recreation room in the summer, and the odd time used it in the bedroom. They paid for three cable hookups with one TV. If I have ever seen the public being ripped off, that, to my estimation, is one area.

**Mr Weckers:** Without knowing the specifics, it is a very unusual thing that you are describing because everyone who is a subscriber to cable television services as a minimum can discontinue any or part of the service at no charge. There may be a very nominal reconnect fee if there were to be a move within a home or something like that, but I would say it is highly unusual.

In most of the cases, the opposite is true. For example, we know that 70 per cent of the homes have more than one television set, but only about 20 per cent of the cable subscribers are paying for more than one television connection. I am not saying they are all connected without paying, but there are a number of people who are doing that.

**The Chair:** Radio Shack does a big business.

**Mr Weckers:** Sure they do. There is a sentiment within the industry that says that we should find some solutions in order to institute a single rate so we do not have to worry about all these things. So what you are talking about is something I have a lot of sympathy for. It is still a bit of a problem for us to do something about, in the sense that we are responsible for radiation of signals up to the television set and there is an obligation on us to make sure that it is done right. But as a matter of principle I would like to see us, eventually, over a period of years perhaps, come up with some technical solutions so that one charge does it all, similar to what Bell now does.

**Mr McLean:** Your comment with regard to having it disconnected and hooked up again does not hold water, because I have investigated and it costs more to have it hooked up again than if you left it and paid the fee continuously.

**Mr Weckers:** I would like to, maybe afterwards, find out where that is, and I will look into it myself.

**The Chair:** In Al's home.

**Mr McCague:** Yes, it is probably in Mr McLean's home.

**Mr McLean:** I never said that.

**Mr McCague:** I did.

**The Chair:** That was actually your next question?

**Mr McCague:** Yes, that was it.

**The Chair:** Thanks very much.

**Mr McCague:** Why don't you quit moving it around?

**The Chair:** It is a 1954 RCA black and white, probably, knowing Al.

Thank you for coming. We appreciate your brief and will certainly take your requests under consideration.

Our final presenter of the morning is the Federation of Metro Tenants' Associations, represented by the chairperson, Michael Melling. Welcome. We appreciate your coming this morning. We have set aside about 30 minutes for your presentation and questions back from the committee and would like to stay within that time frame if we can. Please begin whenever you are ready.

#### FEDERATION OF METRO TENANTS' ASSOCIATIONS

**Mr Melling:** I am pleased to be afforded the opportunity to appear before your committee today as a representative of tenants' associations and tenants, particularly in Metropolitan Toronto. I regret that my presence only adds to the gender imbalance on this committee and I guess it speaks of the need for governments and organizations such as mine to attract more women, such as the member for Oakwood (Ms Hošek), whom I am particularly pleased to see here today.

I want to break my remarks down into three sections: first of all, just to give you a brief introduction to the Federation of Metro Tenants' Associations, which some of you will need to a greater or lesser degree; second, to present the background for my submissions today—you have notes from my submissions in front of you, which I will leave with you, as well as a summary of our recommendations—and third, to actually address the recommendations that our organization is making.

The FMTA is the largest tenant organization in the country. We currently have, I believe, 136 affiliated tenants' associations in Metropolitan Toronto. We have 700-and-change individual members and in addition we have a number of honorary supporters, who are persons who have lent their names to our efforts. Their names are



contained in appendix A to the notes that I have presented to the committee.

The FMTA has been in existence for just over 15 years now and in the course of that period of time has become well known as an advocate in housing policy in Ontario. In recent years, it has participated in the prebudget and consultation process and has become particularly interested in how the government spends its money on housing. That is why I am here today.

Although my remarks will touch upon the responsibilities of three separate ministries—the Ministry of Housing, obviously; the Ministry of the Attorney General, perhaps less obviously; and the ministry which I know the least about, I must admit: the Ministry of Treasury and Economics—obviously the thrust of my remarks is going to be concentrated on the responsibilities of the Ministry of Housing.

### 1130

The background that I wish to present to the committee is probably well known to most members. I see that some members are from Metropolitan Toronto and some are from outside of it, but I think it is difficult for anyone not to know how desperate the housing situation has become in Metropolitan Toronto. Although this government has done more than any previous government in this province or in any other province or at the federal level to alleviate the housing crisis in Metropolitan Toronto, I believe there still needs to be a lot more done. The figures, I think, bear that out.

First and foremost, as most of you know, the construction of rental housing, particularly affordable rental housing, has ground to an absolute halt after being in a precipitous decline since the late 1960s. In addition, home ownership, which used to be the legitimate and universal aspiration of most tenants in this city, has become an almost absurd dream, both in the resale market and in the market for new homes.

In that context, it is not surprising that we have an approximately 0.3 per cent rental housing vacancy rate in Metropolitan Toronto now, which I understand is the second lowest vacancy rate in the country now, thanks to the worsening of the situation in Vancouver. But it is still far below the market vacancy rate that is recommended by most economists: between three per cent and five per cent.

In addition, you are all aware that Toronto has seen an increase in recent years of the phenomenon which was at one time confined only to American cities: the phenomenon of homeless people living in the streets. I am sure that it will

not come as a surprise to anyone who works around this building here. I go into my office at Spadina and Bloor every morning and since I am one of the people who gets into the building first, inevitably—that is, every single day—in order to get to my job I have to pass by or step over people who do not have homes. That is a relatively new situation in Metropolitan Toronto. We used to think, I think, that we had a kind of moral superiority over American cities of comparable size because they had all these homeless people in the streets and we did not. Now we have an estimated 20,000 people who are homeless in Metropolitan Toronto.

In addition to that, because the provincial government has primary responsibility for the provision of public housing in Metropolitan Toronto, we now have a waiting list that contains the names of approximately 17,000 single people and families for public housing. In addition, in a recent study conducted less than a year ago, the Metropolitan Toronto Housing Authority estimated that it has about 13,000 people who are living in its units doubled up with people who are supposed to be living there.

I think the proportion of the housing crisis is well known to all, and that should just about summarize Metropolitan Toronto, but before moving on I want to dispel an impression that has been created that this is a problem confined to Metropolitan Toronto. A recent report commissioned for the provincial government for the International Year of Shelter for the Homeless found that there were approximately 250,000—that is a quarter of a million—people in Ontario who are living in a cycle of homelessness. They are living either without a home, in between homes or in hostels—again, a situation that is virtually unprecedented since the Great Depression.

In addition, rental vacancy rates are well below normal in other Ontario cities besides Metropolitan Toronto and they are not confined even to southern Ontario. The city of Sudbury is currently the unfortunate victim of a lower-than-normal and lower-than-acceptable rental housing vacancy rate, for example.

Recently, Toronto has been debating, as you all know, the prospect of hosting the Olympics in 1996, and in connection with that there were a number of papers commissioned by the city of Toronto. One of those papers, which was written by a number of social and nonprofit housing advocacy groups, found that on the basis of information provided by the municipality of Metropolitan Toronto and the Social Planning

Council of Metropolitan Toronto, there is a need for approximately 56,500 units of housing in Metropolitan Toronto before 1996, the date of the Olympics, and somewhere near 75,000 before the turn of the millennium.

At the root of all this, we believe, to a great extent—and I will happily acknowledge the existence of other market factors—is largely the cost of land. The cost of land in Metropolitan Toronto is now in a precisely opposite situation to the one it was in in the postwar period. When you bought property in the postwar period it was invariably true that the building that you bought was more valuable than the land it sat on. Now, in 1990, as everybody knows, in Metropolitan Toronto the building that sits on the land is virtually valueless in comparison to the land it sits on. We now have a concept of developmental value, which is becoming more important than what we used to call market value.

In other words, the density potential of land and its capacity for redevelopment is now governing the value of that land to a far greater extent than just counting up the number of bricks and multiplying by 39 cents, as perhaps you could do after the Second World War. So we believe something has to be done about the cost of land.

Turning to the particular responsibilities of the Ministry of Housing for a moment, you will all be familiar with those dreadful statistics which appear in the newspaper about the backlog of rent review applications. And you will probably all be aware that those statistics have reduced considerably since the Residential Rent Regulation Act came into force on 1 January 1987.

However, that having been said, the approximately 8,000 or 9,000 currently backlogged applications still produce a delay in Metropolitan Toronto in producing rent review decisions of between six and 12 months. You will have to remember that when the government introduced this legislation the intention was that the order would be out before the rent increase was to take effect. Of course, that has become sort of a standing joke among tenants and landlords, who have to wait, as I have said, up to a year after the rent increase was supposed to take effect before they get their decision.

Turning now to some of the responsibilities of the Ministry of the Attorney General, I want to raise two points. First of all, another one of this government's great achievements, besides the introduction of the Homes Now program and all the work that has been done in the Ministry of Housing over the last several years under the

previous minister, was the expansion of the community legal aid clinic system. I now understand that we have approximately 60 community legal aid clinics in Ontario, and the bulk of those, if I am not mistaken, are concentrated in Metropolitan Toronto.

It may be hard for committee members to believe that there are still areas of Metropolitan Toronto that do not have the services of a community legal aid clinic. There is the area which is referred to as the High Park Junction area, which is not covered. The downtown Toronto area in the sliver between, shall we say, Bathurst and Sherbourne, and going up to Eglinton Avenue, is not covered.

Most important, a few years ago a tenant services clinic—a tenant hotline—was defunded by the clinic funding committee because of an ongoing state of poor management at the clinic. Although its defunding may have been the correct decision at the time, it has never been replaced.

So tenant services in Metropolitan Toronto have decreased, despite the fact that the number of community legal aid clinics in the province has increased. I am aware and can advise the committee that there is an application pending for a new tenant services clinic in Metropolitan Toronto. One of the things that is holding that application up, I was given to believe, is a lack of funding to the Ministry of the Attorney General for that purpose.

The second item that comes under the responsibility of the Attorney General (Ian Scott) and I want to touch upon is the courts. I am sure that all members are aware of the issue of clogging in our courts. I speak here with some experience, because I am also a landlord and tenant lawyer who is unfortunate enough to have to appear in district court, landlord and tenant court, on a fairly regular basis.

I can tell the members, as I have said in my brief, that it is not unusual to arrive at landlord and tenant court and find 40 other cases on the list for trial in that court on that day. The situation that that has produced is a kind of too rough and too ready justice in which judges regularly complain on the record, for anyone to go down and see, that they cannot possibly hear all the landlord and tenant cases that are sent down for trial before them and in which the encouragement to settle almost becomes coercive, because the bench is just not able to handle the number of cases that is before it.

So there is a need to do something about the clogging of the landlord and tenant courts, which

is something that concerns, as I am sure you are all aware, not only tenants but landlords. This is one of these nonpartisan statements that I am very rarely given to make.

I want to move now to my recommendations and the recommendations of our organization, and to deal first, as I indicated in my opening remarks, with recommendations that touch upon the budget of the Ministry of Housing.

I believe that the Co-operative Housing Association of Ontario and the Affordable Housing Action Group have already addressed your committee on the subject of funding for the Ministry of Housing, so I will not dwell on what they have said, except to say that we support them. We believe that it is both fiscally responsible and sensible to increase the Ministry of Housing's budget to a total of three per cent of the provincial budget over a period of not greater than three years. We believe that can be done, anticipating both the possibility of a minor recession and that other ministries will want to draw at a rate of increase of seven to eight per cent over that period of time. I refer the members to the brief prepared by the Affordable Housing Action Group on that question.

#### 1140

Second—this is the cornerstone, really, of our recommendations, and I hope that the member for Oakwood will be happy to hear this—we have to bring in a new nonprofit housing initiative to address the housing needs of Metropolitan Toronto to the end of the millennium. We therefore recommend that, in line with the report to the Toronto city council, funding or access to borrowing be allocated to the Ministry of Housing that will be sufficient to meet Toronto's housing needs by the millennium—that is, a nonprofit housing program that will have a target of 56,500 units by 1996 and 75,000 by the turn of the millennium.

We believe that that program would have the greatest chance of meeting Toronto's housing needs. I have had discussions with the current Minister of Housing (Mr Sweeney) and I understand that the parliamentary assistant, the member for Halton North (Mr Elliot), and the deputy minister will be attending this afternoon to answer your questions. I would eagerly anticipate what they have to say, but what I have been told is that the province is not prepared to make a substantial commitment of funds to new nonprofit housing in the upcoming years.

I would hope that that problem originates with the Ministry of Treasury and Economics and not with the Ministry of Housing. That is, I would

hope that the current minister would be as committed to new nonprofit housing as the previous minister was and the only real problem is that he cannot get the money. If that is the case, I would hope that I am in the appropriate forum to get him that money.

Third, with respect to the responsibilities of the Ministry of Housing and its budget, we recommend that the province institute a program of substantial land banking. Those of us who have 20-20 hindsight now look back on the last 25 years and sort of slap ourselves on the forehead and say, "Look at the opportunity we had 25 years ago to buy up land in Metropolitan Toronto and keep it off the market and use it for the building of affordable housing." That opportunity is gone.

But anyone who thinks that land has climbed to the highest level it is going to climb to and that there is any imminent prospect of a decline in or levelling off of the cost of land is fooling himself. There is only one way for the cost of land in Metropolitan Toronto to go and that is up, which I believe means and our organization believes means we have to get some more land, because we cannot rely upon the land that is out there right now, because it is too expensive.

Almost a year ago I was on a panel with a gentleman from the Canada Mortgage and Housing Corp and he estimated that for the private sector to build a modest two-bedroom rental unit at Metropolitan Toronto land costs would mandate a first rent of \$1,400 if the landlord hoped to make a return on his investment, and \$1,100 if the landlord was prepared to accept no return on his investment for a period of five years.

So even supposing that the private rental industry were interested in accepting no return on investment for five years, it is very unlikely that the people who need housing are going to be able to afford two-bedroom apartments at \$1,100. The largest component there is the cost of land.

Turning now to the Attorney General, I just deal briefly with our two recommendations. First, we see a need to increase the budget for community legal clinics, and specifically—I hope this will not be seen as self-serving because, as some members of the committee may know, I am an employee of a community legal clinic. But I am not asking for more money for my salary; I am asking for more money for more legal clinics to be created—for a new legal clinic to provide tenant services in Metropolitan Toronto.

With respect to the increase in the number of applications at rent review, you are all aware that



we have had more rent review applications under the new system than we ever had under the old system. In addition, the shortage of affordable rental housing, which has made tenants desperate to hold on to their housing and more likely to resist eviction, has contributed to an astronomical increase in the demand for tenant legal services. Unfortunately, that demand has not only not been met but with the closing of the tenant hotline has been exacerbated.

Second, we recommend, in line with the general direction of the Attorney General towards increasing funding to the court system, that particular attention be made to the financial needs of the district court and, again, the district court, landlord and tenant court. It would be instructive for one or two of the members of this committee, if not the whole committee, to go down and spend a day in landlord and tenant court to see just how bad it is. I think that, unless you have been there before, you will be very surprised.

Finally, turning to the Ministry of Treasury and Economics, I want to convey two recommendations to the committee. First is one that I am sure members have heard before. We support the call by other organizations that have appeared before your committee for a tax on real estate speculation with an exemption for principal residences. We see no reason to discourage people from buying their first home if they want to live in it. We see every reason to stop people from buying residential property for the purpose of increasing its value and then selling it at that increased value.

The objections of the Treasurer, as I understand them from media skimming, is that this proposed tax was unsuccessful in the past because it did not raise much revenue. It all depends on what you want the tax to do. Frankly, I do not care if it never raises a penny of revenue, although it would be nice if it could because it would provide more funding for new housing; I am more concerned that it do what the last tax did do and that is to slow down the real estate market in Metropolitan Toronto. I know that the municipality of Metropolitan Toronto, the city of Toronto and a number of organizations have made this recommendation to the government. I would urge the government to consider it seriously at this time.

Finally, you will be pleased to hear, the FMTA recommends the reintroduction of the housing development fund as a separate account from the consolidated revenue fund. You will remember that the idea was that when the government sold

surplus land that was not suitable for housing it would put the money into a fund that would then be used in the future for the creation of more housing. I believe that that program should be reintroduced and stepped up so that we have an earmarked fund for land banking and for the production of new and affordable housing.

I would like to thank the committee members for their attention and I would be pleased to answer questions.

**Ms Hošek:** Some of the people who are concerned about housing availability in Metro Toronto are targeting also the whole question of boarding house accommodation and accommodation for the very poorest people out there, many of whom are the ones you describe as being out on the street. Does the federation have any view on the proposal that some of the resources of the province and the city together should go toward housing of the boarding house sort run in some kind of nonprofit way? What is the view of the federation on that?

**Mr Melling:** We support the call to bring the private rooming house stock into nonprofit or public ownership within a period of five years, which has been trumpeted by the Rupert Hotel Fire Coalition. We do that really for two reasons. First of all, we do it because in effect the government is currently paying the rents in that housing. As the people who read the clippings following the Rupert Hotel fire now know, everyone who lived in that place and died in that fire was a recipient of either general welfare assistance or family benefits allowance, and therefore the provincial government through the Ministry of Community and Social Services was paying most of the rent through the rent subsidy program.

We believe that if the ministry is going to be paying rent to the private sector, in this circumstance basically subsidizing what are in many cases slum landlords, it should consider the alternative of taking those people out of the business because, and this turns to my second reason, there has been a drastic drop in the amount of accommodation for low-income singles over the past 14 years. That depletion of the stock has had an absolutely debilitating effect on the ability of low-income singles, in particular, to find housing.

That was to some extent ameliorated when, again, the previous minister changed the rules at the Metro Toronto Housing Authority so that single people could get on the list for housing. But with the list being so long and with so much of our rooming house stock disappearing over

that period of time, it has just meant that there are more people who are unable to find accommodation.

We have recommended to the city of Toronto and to the province that we break the proposal down into two stages: first of all, to identify for acquisition within a period of 18 months all of the most vulnerable rooming house stock—that is, the stock that is in the worst shape and that is most likely to be sold or illegally converted—and second, in part 2, to acquire the rest of the rooming house stock over a period of five years. Now, in terms of the numbers that that represents, there are approximately 700 licensed rooming houses in the city of Toronto and something like 500, 600, 700 illegal rooming houses, many of which could obviously be the first targets for acquisition. So we support that proposal because we believe that of all the groups who are being underserved in the current system rooming house tenants are probably first on the list.

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**Mr Morin-Strom:** Much of the concern with respect to the ending of the Homes Now program and the lack of initiatives to follow up on that has to do with negotiations or talks between the two levels of government, I guess, and the apparent unwillingness of the federal government to participate. Do you have any feelings about whether here in the provincial government they are going to have to go their own way? Is it legitimate for them to pass the blame on to the federal government and say, "Well, the federal government won't participate; therefore we can't do anything"?

**Mr Melling:** I think we have to separate the need to indulge in, I think, a probably justifiable game of blaming the other government from the real need, on the other hand, to actually do something.

I think it is perfectly legitimate for the provincial government to say that the federal government is not building any housing, to criticize the federal government in whatever way possible and maybe to sever diplomatic relations with the federal government. I do not know what would be effective in that regard. But I think that the provincial government also has to be realistic and recognize that the federal government is not going to change its mind. That is the fact of the matter. The federal minister, a nice enough guy though he is, has been told in no uncertain terms that he is not getting more money, and he has been quite straightforward about that. Given that he is not going to get any money and given some

would call it a preoccupation with the level of the federal deficit and with cuts in expenditures at the federal level, I think the provincial government just has to assume responsibility. It is fine for the province to stand up and say, "This is all happening because the feds aren't pulling their weight and aren't doing their share." I have no quarrel with that. That is right. But at the same time, the province has to recognize that it has the responsibility to pick up the slack.

I would encourage the provincial government to use any means that it has at its disposal to get the federal government to accept its share, but I think we are all realists around this table; the federal government is not going to do that. So the fact of the matter is that the province is going to have to do it in co-operation with the municipalities.

**Mr Morin-Strom:** To follow up, there are, I suppose, two directions that initiatives could go in terms of housing spending by the provincial government, one of which would be to build directly more housing units and the second being the subsidization of more units so that affordability is made available to those who may have units but at rents that are too high. Which is more critical? What kind of balance of needs do you see currently between numbers of units as opposed to a system in terms of affordability?

**Mr Melling:** I think over the long term the more economically efficient way to do things is to build units rather than to subsidize people who are living in existing units, primarily because it addresses the need for new stock. If you just subsidize people to live in existing housing there is no guarantee whatsoever that you will increase the actual housing stock. Toronto's problem is not just that people cannot afford to live in the housing that is out there. Toronto's problem is that there is not enough housing out there.

In addition, there are two sides to the equation. The problem with a subsidy program is that, I think, it would be prohibitively expensive. People talk about the cost of implementing a new nonprofit housing initiative. I think that if any rigorous analysis were done over the long haul one would find that the cost of subsidizing all the people in the private rental market who need the difference between 25 per cent of their income and what they are currently paying for their housing would be absolutely astronomical. I know that this is the position that has been advanced in the past by those who represent landlord organizations, and they have sort of coupled it, I believe absurdly, with the idea of removing rent regulations. So not only would it

be hugely expensive but there would be no ceiling on it, so rents would just increase by whatever the market or, to be more accurate, taxpayers could bear through the subsidy program.

I just believe that that is a completely wrongheaded direction. It does not produce any new units and I think it also fails to really generate any economic activity in the market. Building new units generates construction jobs, as everybody knows, and contributes to the economy. Giving tenants more money to pay to private landlords probably will not, in light of our past experience over the last 25 years, generate a single new unit in the city of Toronto. That is what we need.

**Mr Faubert:** First of all, Mr Melling, I find it a rather grim projection, your recommendation that all rooming houses should be brought into public ownership or co-operative, although I agree with the thrust that there should be more support for the development of co-operatives in that area. That is obviously your idea. Is the problem the failure of municipalities to have and to enforce effective housing regulations or regulations related to this form of housing stock?

**Mr Melling:** I think that that is a significant factor, but you always run into the problem of unregulability or ungovernability. I think that anyone who has any experience with, shall we say, the twilight zone of ownership out there will know that there is very little that you can actually do to control the bloody-minded. Part of the problem with that is that you can have all these regulations, you can have all these inspectors, you can have the city of Toronto have an inspector go and live in every single rooming house and inspect them daily, and we have virtually done this in connection with the work that my legal clinic is doing at 412-414 Jarvis Street in the city of Toronto, which you can all read about in the latest issue of Toronto Life, and that situation is that we have had a full-time city inspector working for over a year on that building and absolutely nothing has been accomplished.

Now there are those who say, "Oh well, maybe that ungovernability isn't systemic; maybe it's coincidental." Well, I think that the argument about ungovernability is strongest in the rooming house stock. The systemic nature of it is that the rents that people can afford to pay in those houses cannot possibly give a rate of return that is acceptable to someone who knows the developmental potential of the property. That is the simple fact of it. If the rents were \$1,500 a month for people who live in rooming houses,

there would probably be very little incentive to try and run them down and get people out. But as long as the rents are what rooming house people can afford to pay, \$200 to \$300 a month, you have a systemic problem that contributes to the ungovernability of this sector.

**Mr Faubert:** Which we may see in the latest inquiry that will come up related to rooming houses. I am being very careful in my words on that one.

**Mr Melling:** One of the things, just from the point of interest there, that the Rupert Hotel Fire Coalition has recommended is that the city of Toronto and the Ministry of Community and Social Services cost share a comprehensive study of where people who receive Comsoc assistance actually live. The only way that it could be done is with the co-operation of Comsoc, and the only way that it could be done, speaking practically, is on the basis of anonymity.

I think that if we actually found out where people receiving general welfare assistance and FBA live, we would be pretty frightened by what we found in many cases. Most of them will live in shared space arrangements and in legal or illegal rooming houses.

**Mr Faubert:** I have just one last quick question—

**Mr Melling:** And as I say—I am sorry to interrupt—what is ironic about that is that you are paying the rent in those places. We calculated the housing subsidy component of Comsoc and it adds up to about \$90 million a year in Metropolitan Toronto. That is money that is paid by welfare and FBA recipients to the people who own these rooming houses.

**Mr Faubert:** Since we have Mayor Eggleton right after lunch, I just wanted to—

**Mr Melling:** Oh, good.

**Mr Faubert:** —ask you the question of why you target the years 1996 and 2000.

**Mr Melling:** Nineteen ninety-six arises—

**Mr Faubert:** The Olympics will be in Athens in 1996.

**Ms Hošek:** Are you going on record with that?

**Mr Faubert:** Yes, I am.

**Mr Melling:** I am glad to have that on tape from somebody.

Nineteen ninety-six is targeted because that was the year that was focused on by the group that did the study, and 2000 is obviously targeted just because it is, I think, going to be a watershed. I think it is a reasonable time frame. We are in 1990 now and you could build 75,000



housing units in 10 years, or get pretty darn close to it. That is why those time frames have been chosen. One could be idiotic and say, "We want 75,000 housing units built by this time next year." Everyone knows that you probably could not even get the construction workers in place to do it, never mind the funding and the planning and everything else.

**The Chair:** Thanks very much for your presentation today. We appreciate it.

It is 1:30 pm for Mayor Eggleton, members of the committee, instead of our normal two o'clock. We stand recessed until then.

The committee recessed at 1200.

## AFTERNOON SITTING

The committee met at 1331 in room 228.

**The Chair:** I will call the meeting to order, knowing the mayor's schedule, and ours, for the rest of the day. Obviously the comments will be recorded in Hansard and I am sure a few more members will join us as we progress.

We would like to welcome Mayor Eggleton to our committee. We appreciate you taking the time to come and share some of your views with us on pre-budget consultation. We have set aside about 30 minutes for presentation and questions and we will try to stay within that time frame, if you want to begin whenever you are ready, your worship.

## CITY OF TORONTO

**Mayor Eggleton:** Thank you very much for giving me this opportunity to talk with you about the upcoming provincial budget and an opportunity to have a little input to it. The city, of course, along with other municipalities across this province have a number of concerns that they would like to see addressed. I cannot think of anything that is more serious or more pressing to us than the difficulty in continuing to fund such a wide range of programs, as municipalities now do—both tiers, upper and lower tiers—on the basis of the property tax.

We, first and foremost, ask the province to access for us other sources of revenue so that we are better able to in fact provide the services and programs that have been traditionally supplied in our municipality, and our ratepayers expect us to continue the level of service that has been provided.

The municipalities have long asked for a new formula for revenue sharing or tax sharing to be able to meet these needs. The Metropolitan Toronto council has particularly presented a brief and is following through with that submission in a hope to work out a new financial arrangement with the provincial government. I think that has to begin to be addressed in this budget.

Also, in a more specific level in terms of many of the traditional funding sources for municipalities, one that creates concern for us at this particular point is the unconditional grants. They remained unchanged in the 1988-89 fiscal year and, as a result, municipal property taxes had to be increased to cover the lost funding. I note that the grant factor for the fiscal year has been raised from 6.0 to 6.15, but the formula has changed. It is not calculated on the same base, so the net

grant is going to be really less than what it should be.

Not only must unconditional grants be brought back to traditional levels, but we urge the Treasurer (Mr R. F. Nixon) to enact provisions for catch-up funding to make up for grants foregone during the current fiscal year. The city and other municipalities are facing a similar bind in the area of conditional grants where levels have been held down and not provided the level of support that we require.

I think one of the areas I would particularly like to note, which has been a long, sore point with us in Metropolitan Toronto, is the funding of public health programs. We get a 40 per cent support from the province for our public health programs where many other parts of this province are receiving 75 per cent. That is millions and million of dollars that, again, have to come from the property tax base.

Another manifestation of underfunding for vital services is the current situation regarding education in Metropolitan Toronto. Under the current grant formula we are actually going to see a transfer of funds locally raised—raised within Metro—going to jurisdictions outside. This is a far cry from the situation of a number of years ago where there was very substantial provincial funding in education. Now we face the situation of going it alone on the property tax and even, to add insult to injury, some of the property tax money now going outside of the Metropolitan Toronto area.

Never before has education of our youth been a more urgent priority, and yet never before has our ability to fund that education been less secure. It is imperative that more education burden be shared by the province.

The high property values in our city are also something that are causing enough dislocation as it is in increasing property tax rates. We are looking, in the city, Metro and school board combined taxes, of possibly being into double-digits for the second straight year. Add that to the already high cost of real estate and it can only increase the pressure on families to relocate outside of Metro, or even outside of the greater Toronto area.

As if that has not been bad enough, we have been forced to deal with a provincial encroachment in our own dwindling revenue base. The city's opposition to the provincial commercial concentration tax, or CCT, has been consistent

and forceful. However, the CCT, as of 1 January, is now a fait accompli. But the next budget, getting back to that specifically, represents an opportunity to eliminate some of its more glaring inequities.

The CCT has specifically intended to exempt industrial buildings, yet there are industrial properties that are being made subject to it. Officials from finance here are aware of that. We believe that this is due to an unreasonably narrow definition of the term of industry. The face of industry has been changing over the years. The smokestacks of yesterday are not the whole definition of industry today. So I think that needs to be re-examined in terms of the CCT provisions in the upcoming budget.

Further dealing with the question of equity issues, there is the matter before the business tax review committee established by the Ministry of Revenue. It has considered many options in brief from many organizations recommending the elimination of business tax and its replacement with an expanded commercial rate. This would simplify the current system, reduce municipal tax losses and administrative costs in the collection of property taxes. I urge the Treasurer to obtain the recommendations from the Ministry of Revenue as soon as possible and consider inclusion of appropriate measures in the forthcoming budget.

Regardless of what formulas are achieved or where the actual funding will come from, what is clear is that there are urgent needs that must be addressed one way or another in the budget. Some of these are areas of shared responsibilities; others are primarily one jurisdiction or the other. As spokesman in my community, I am compelled to outline them and state the case as strongly as possible for immediate attention.

We need a commitment to upgrading our infrastructure. It is no secret Toronto's infrastructure is strained by age and demands of new development, and a declining infrastructure has a direct and negative relationship on the quality of life and economic vitality of any city. With Toronto the economic hub of Ontario, the provincial government cannot afford to allow this decline. For that reason, the budget should provide more support for municipal infrastructure renewal. Indeed, if we get to a downturn in the economy, a slowdown in the economy, that is a traditional way that I think governments can help the economy and I would certainly urge consideration of that.

We need a commitment to employment and training; the increasing property taxes I cited

earlier having a heavy impact on the commercial sector. As well, the ever-increasing high costs of doing business in Toronto are causing increased labour market adjustments as firms relocate outside our city. Labour market adjustments are borne disproportionately by ordinary working Canadians and can devastate individuals and entire families.

The federal proposal for the goods and services tax will further worsen this situation for some sectors of our economy. Consequently, I urge you to consider additional provincial funding for job creation, job training and retraining.

We need further commitment to affordable housing. The city of Toronto, through our own Cityhome corporation and through such provincial/municipal initiatives as the Ataritari project, has been a leader in providing affordable housing in the Toronto area. Toronto has long been a destination city in population shifts creating continually increasing demands on social housing.

Over the last three years the provincial government has initiated major efforts related to the provision of housing and associated welfare programs including the Homes Now program, the Homes First program, the improvements to the social welfare system growing out of the Social Assistance Review Committee report, or SARC report as it is also known.

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It is my firm belief that no amount of regulation or encouragement can replace the need for significant direct funding for housing and related social welfare initiatives. The Homes Now program, the SARC initiatives and existing housing preservation programs must be maintained. In last year's budget the government made a firm commitment to SARC. In this upcoming budget it must live up to that commitment by ensuring that SARC reforms are a financial priority.

We also need a commitment to transportation improvements and, of course, that is part of what is intended in terms of the commercial concentration tax. I would like to point out, though, that it is disproportionately allocated in the greater Toronto area. I think more of it has to be allocated within the city of Toronto, which is approaching gridlock on many of its main streets. The province must provide a stronger commitment for funding on rapid transit improvements not only within the city but in Metropolitan Toronto. For example, since the completion of the Spadina extension some 12 or 15 years ago



there has been no further provincial funding provided for construction of new subways. Yet if we are to address the problem of congestion; if we are to achieve improved public transit with less reliance on the automobile, new funding for rapid transit is imperative.

I strongly support endeavours to integrate—this is, of course, now going on with the Ministry of Transportation—Toronto Transit Commission and GO Transit services. The joint pass that was established not too long ago helps, and certainly further integration of these services will help make public transit all the more attractive.

I would urge the province to try to gain control of our rail corridors so that we can give passenger priority on many of the lines that criss-cross in the greater Toronto area. It is a less expensive way of developing rapid transit than tunnelling for new subways. This creative, innovative transit initiative is the kind of broad, yet cost-effective, move that could provide dramatic solutions to our congestion problems. It would provide miles of well-located transit lines serving the city, Metro and the greater Toronto area at a fraction of the costs of new subway lines. It is, in short, an idea whose time has come and I urge the province, through negotiations with the federal government and the rail companies, to help make the idea a reality. And I urge the Treasurer to indicate the province's priority for that kind of a plan in his budget.

This afternoon I have outlined the areas, from health and social services to education, housing and transportation, that we in the city believe require continued attention; an urgent priority. I have also outlined the funding requirements and dilemmas that face our city's government and the solutions which could be provided through the upcoming budget. These issues and concerns strike to the heart of Toronto's continued prosperity and city council's ability to effectively serve its citizens. Many of these concerns are also faced by municipalities right across this province. Some are unique to Toronto's role as the province's largest city and equally important as an economic dynamo for the entire province and region. We are proud of both of those roles and for that reason we urge you and the Treasurer to carefully consider our concerns so that we may, with the active support and partnership of the provincial government, continue to effectively play both roles for many years to come. Thank you.

**Mr Reyecraft:** Your worship, thank you for coming before the committee and giving us your advice. You have brought with you a fairly

lengthy shopping list of things that you think require attention from the provincial Treasury. You did not provide us with any advice on how the province should meet its funding requirements, which would obviously result from the positive consideration of the many recommendations that you have made to us. Obviously, on the simplest level, the province's options are limited. We either increase taxation and avoid the municipal base, or reduce services, or increase the deficit. There is no other magic solution. I am interested in your opinions on how the province should address that problem.

**Mayor Eggleton:** It is a question of setting priorities. The priorities that are important to us: transportation, housing, social reform matters, to help those people at the low end of the scale. I think that is primarily what government has to be concerned about—those people who need some help to be able to survive. They need decent, affordable accommodation; they need enough food on the table; they need a job. Those are the kinds of areas that I think require priority attention. Education requires priority attention. It is a matter of reworking the priorities.

Obviously we do not want the deficit increased; we do not want any more taxes than are necessary. Of course, there has never been a shortage of ideas on that as the CCT, I think, indicates. But I think it is a question of spending priorities now.

**Mr Reyecraft:** Are there specific areas now where you think our priorities are too high? Can you give me some indication of things that should be at the lower end of that priority list that we are now funding?

**Mayor Eggleton:** If I had known you were going to ask that, I would have been delighted to think about that; that is a lovely one. I have come here with a list of what I think the high priorities are. I guess you are going to have to work out what the low priorities are. If you want to give me another opportunity to come back I might have some ideas on that.

**Mr McLean:** Mr Mayor, one of the great concerns I have is with regard to public transit and subways; the system that has not been expanded over a period of years and the need for subway or transportation to the airport from downtown Toronto. Could you give us an idea how you would anticipate something happening in that line?

**Mayor Eggleton:** Thank you for asking that question, because it gives me a chance to expand upon something I said in the paper. I really

believe it is an exciting opportunity to be able to get more passenger rail services in the greater Toronto area. I think that is going to require the province negotiating with the federal government and the railways to try and achieve more time on those lines. With the cutbacks in Via, there probably is more time now that can be achieved. That is a much cheaper solution than tunnelling for new subways and I think we should take advantage of that. They do that in many other cities. They also integrate regional systems, such as GO in our case, with local systems, such as the TTC. I think we can do more of that to create a much more efficient and convenient public transit system.

The airport is on one of those lines. There is a line that goes out by the airport that could be used for that very purpose, to take people from downtown to the airport. There would then need to be an internal system within the airport property to take them from the rail line to the different terminals, but that can be achieved. There is a spur line out there now. Let's put that into the hopper as part of the use of rail lines in the GTA for public transport purposes.

**Mr McLean:** The reason I asked the question was that I would like to know what leadership you people are showing to make that happen. I think it is cost-shared, federal/provincial/municipal, but I also think that it is Metropolitan's place to take the leadership to see that it does happen.

**Mayor Eggleton:** We have been in discussions. We have had a couple of meetings with ministry staff to that effect. I think, however, it really does take the province playing the lead role. But we certainly are wanting to be at the table and we have initiated the first couple of meetings in that connection, and I know the ministry has been considering the matter. I think it has got to be given priority and as a means of providing funds for public transit at a less expensive rate than it would to continue to build tunnel subways.

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**Mr McLean:** I think it is a great priority and one of the greatest priorities.

**Mayor Eggleton:** Yes, I agree. I think it is an exciting opportunity. I am very excited about the possibility.

**Mr Daigeler:** To pursue that a little bit, why does that all of a sudden come about now? Are these rail lines the ones that have been abandoned by the federal government now? If that is the case, then should it not be a federal responsibility?

ty? That is to pursue the question from before, but the question I want to ask on my own is—I think you mentioned the idea, if I am not mistaken, of access to other sources of revenue. Being from the Ottawa-Carleton area, I know that our regional chairman is trying to pursue that and would like to tap into some of the provincial ways of raising money. He always is very insistent on the user-pay principle. I am just wondering whether you are also supporting that idea, or establishing a road tax or something like that that you could use for your own purposes. Perhaps you could address that.

**Mayor Eggleton:** I am sorry. What kind of tax?

**Mr Daigeler:** Well, road use. I am not exactly sure how one would do that but, certainly on the water rates, the region is doing it very clearly already. They have that ability to raise funds there.

**Mayor Eggleton:** We have raised our water rates and our surcharges on water so that we are at a full recovery basis.

**Mr Daigeler:** I think what, in our case, Mr Haydon has in mind is perhaps putting an extra cent on the gasoline tax and that would go to the municipalities. I think that is what he has in mind.

**Mayor Eggleton:** That is a field fairly well-occupied already. Let me go back to the beginning. You say, "I am for rail lines—federal responsibility." Yes, there is a responsibility there but, in terms of the regional transportation I am talking about in the greater Toronto area, that is not a federal responsibility, that is the province and the municipalities.

You need the federal government to help in terms of accessing those lines. What we need to do is get passenger priority on those lines. It is not going to be easy to get out of the railways. CN and CP are basically in the freight business. That has been a long-standing debate, discussion, negotiation for GO, for example, to get more use of those lines. I think we have to still look for a bigger share and obtain access to some lines that we have not already had access to so that they can be used for passenger purposes. But the provision of those services is going to be provincial and municipal.

With respect to other tax sources, I guess what I am saying here is that, first of all, when it comes to health programs, why should we get only 40 per cent when other parts of this province get 75 per cent. I am saying, in the case of education, why is it that we are now in a position where the

property tax dollars we raise in Metro are going to have to help educate people outside of Metro. In the city of Toronto, I think, last year we reached the point where 100 per cent of the revenue for education comes from the property tax.

At one time in this province it was more like 60-40 or even 50-50 in some parts between the property tax and the progressive tax sources of the province, but that is certainly not the case in Toronto today. It is coming from the property tax. Traditionally, people would say, "Is that appropriate to come from the property tax?" It is a big dollar. Education is half of the tax cut. So if we could cut down on the portion of education coming from the property tax, that would answer an awful lot of our concerns in terms of having money for other things that we traditionally provide.

**Mr Faubert:** Mr Mayor, I am sorry I was not here for the opening of your presentation, but I like the suggestion relating to the acquisition of rail lines because I know what you are talking about. We have debated that at great length, because we do run into urban commuter service through GO and we have the rights to this. But also there are opportunities there to service, especially the airport, which you identified, especially if your favourite project comes on stream in 1996. Obviously, we are one of the few major cities without rapid transit service to our airports. It is an interesting phenomenon that we have yet to service our airports by fixed rail transit of some kind.

The other thing I agree with you on is the commercial concentration tax, the area of that related to parking lots, although this may be a Metro issue that you as a city could take a leadership role in. I still think a case could be made for exemption of municipalities from them because they are transit-related in many instances. You either have an option in the outlying areas, which are transit-related lots operated by municipalities for the TTC to bring people on the transit—so that from that point there is an issue that could be made. Also, I think the downtown-lot issue is another one that has to be sorted out because I have never figured out your formula for your city hall lot yet. I think you can pay \$22.50 a day.

**Mayor Eggleton:** When they took off the ceiling.

**Mr Faubert:** When they took off the ceiling.

The one thing, though, I wanted to comment on is the position that there has been no subway funding because actually there has been. What

there has not been by the province, and I am glad you mentioned it, is that the Sheppard subway has not been approved, although we have funded the engineering and environmental studies for it. We have protected the line, the whole right of way throughout there in fixed rail and funded the light rail transit on both the waterfront and Spadina. So there has been provincial funding into transit in the city. I think the issue of the Sheppard has to be pressed and this is one of the years to do it.

**Mayor Eggleton:** Sheppard is our priority.

**Mr Faubert:** It is the other side of the commercial concentration tax.

**Mayor Eggleton:** Sheppard is our priority but the opportunity, in terms of the existing rail lines, is a very exciting one and one that can solve a lot of our problems with respect to public transit.

I had not raised the question of the commercial concentration tax as it applies to municipal parking lots because I went through a whole series of meetings, including with Mr Nixon specifically and also with the committee, on that matter.

But of course you are quite right, the \$5 million that the Toronto Parking Authority will now pay into the coffers as part of the commercial concentration tax lowers the amount of money that the parking authority turns over to the city, which helps to create more off-street parking to try to relieve some of the congestion of parking of cars on our streets.

And, of course, with the increase in rates that is also part of that—it is the other side of the coin—it makes it more expensive for people to use our lots and that tends to mean more people are going to try to find parking on the street, places that they should not be, and just clogging up the arteries with illegally parked cars.

We felt that the municipal parking lots—and a lot of them are also used of course in connection with subway parking—encourage people at a low rate to go park by the subway and take that downtown. We have a lot of those lots in Metro. Again, that is not helpful.

**Mr Faubert:** You have raised that issue at Metro. They are looking at that.

**Mayor Eggleton:** Yes, both Metro and the city have raised the issue and have indicated opposition to the application of the commercial concentration tax on municipal parking lots.

**Ms Hošek:** I am interested in your concern about infrastructure renewal and it is certainly one I share, but I wonder if you have any ideas about alternative methods of funding this renew-



al. It is clear that what we are talking about over the long haul is an enormous amount of money.

I understand that you are realistic enough to know that the province is not going to be able simply to fund all of that out of the consolidated revenue fund in the time that is required. So do you have any other suggestions for other methods of funding, in addition to increased provincial funding for the infrastructure renewal costs that we face over the next decade?

**Mayor Eggleton:** The municipalities joined together not too long ago to suggest a three-way split between the federal government, the provincial government and the municipalities. I think we had general agreement among the provinces and the municipalities. The problem was getting the federal government to recognize that the infrastructure in cities was important to the health of cities and important, therefore, to the economy of this country.

I think we have to continue to urge the federal government to become involved. There is an election coming not too far down the road—a provincial one may be first—but certainly the pressure should be continued to try to bring about a three-way split of the costs of infrastructure improvements. Meanwhile, I think the cities, the municipalities and the province need to be vigilant about the state of our infrastructure because if we allow it to deteriorate too much it is really going to be horrendously expensive to come back later. And it is so important to the health of our cities and to our economy to do that.

1400

We find in the city of Toronto we have been able to keep our infrastructure fairly well up to date but that is because we have had to fund more and more of it all the time. That is becoming more and more difficult and there are a lot of municipalities in Ontario that just cannot afford to put the dollars in the way we have because our economic prosperity has given us the opportunity to do that. It is becoming tighter and tighter and more difficult for us.

I do not have an easy answer but I think we still have to urge the federal government to become a partner.

**Ms Hošek:** Is there any interest in the city in alternative capital financing structures, the issue of municipal bonds, any of that kind of financing question, financing things over longer periods of time, is that kind of—?

**Mayor Eggleton:** We do that now.

**Ms Hošek:** But is there anything that could be changed in the way that is done that would make it easier for you to do it?

**Interjection:** Tax free.

**Mayor Eggleton:** Tax free.

**The Chair:** Can we have your name?

**Mr Woods:** John Woods from the city finance department.

The city staff have prepared a discussion paper—there is no council position on it—reviewing the idea that is extant in the United States, of municipal bonds having a tax-free feature.

**Ms Hošek:** Return. Is there any way we can know when that is likely to go through council so that we could see what came out of it?

**Mr Woods:** No, but now it has become public it will get there faster. The idea will come forward faster than it was going to.

**The Chair:** Thank you and your staff for attending today. We appreciate the input, and many of the points you have raised, of course, have been raised by various and sundry other groups and just add to that strength of concerns. We will be taking your concerns into account when we write our report the week of 5 February.

Thanks for taking time out of your schedule.

Our next special guest is the Minister of Community and Social Services (Mr Beer) and entourage. We appreciate your taking time out of your schedule to come before the committee. I should perhaps just tell you that we have had, I think it is, 40 or 41 deputations scheduled for these consultations and a large percentage of them have raised the same issues I think that were raised last year in relationship to SARC, the Transitions report. Questions have come up as to where the province stands in the implementation of phase I announced by the government and more or less where we go from here.

There were also a number of housing-related issues and we will have people from that ministry in following you to make a brief presentation and questions. So we have a full hour and if you have that full hour we would be delighted to spend it with you and would ask you to begin whenever you are ready.

**Hon Mr Beer:** There is no other place I would rather be.

**The Chair:** Why do I believe that? We have that unanimous.

#### MINISTRY OF COMMUNITY AND SOCIAL SERVICES

**Hon Mr Beer:** I am delighted to be here and if I might, just for members of the committee, introduce on my left Mark Woollard who is the manager of the policy development section in the ministry. At the end of my remarks we will

certainly be pleased to answer any questions that members of the committee might have.

Thank you for giving me this opportunity to bring you an update on the government's agenda for income security reform. As you are aware, the government commissioned a review of our social assistance system in July 1986. It was undertaken by the Social Assistance Review Committee which issues its report entitled *Transitions* in September 1988. That document provided a wide-ranging blueprint for change in Ontario's social services system.

The SARC report generated support from an unprecedented coalition of business, labour, social and political activists. As well, we in government found many of its recommendations appealing. Clearly, the social assistance system this government inherited in 1985 was designed for another time, for another Ontario. It was badly in need of reform.

Since that time, I am proud to say that we have made substantial progress in implementing many of the SARC recommendations. I do not want to leave you with the impression, however, that we now have the absolutely final word on how social assistance should be provided to the people of Ontario. Living as we do in a dynamic, ever-changing society, there are always new issues and new pressures that arise to legitimately affect our system.

To give you an example: the complex relationship between the province and our municipalities on delivery and funding of the full range of social services has been under extensive examination in recent months. In fact, I am expecting the final report of the Provincial-Municipal Social Services Review Committee in the next few weeks.

This committee, composed of municipal politicians, municipal social services staff and staff from my ministry, has been looking at the whole provincial-municipal partnership in the delivery of social services, from welfare and child care to homes for the aged. Its report could well help us operate many of these services more efficiently.

I will give you more detail on the nature of this review later in my remarks.

Today, as you had requested, I will deal with the SARC report and how it has influenced public policy on social assistance.

First, I want to briefly outline for you the situation that led up to the establishment of the committee, then we will take a look at how it approached its task and what some of its key findings were. Next, I will outline the changes we have made in the system in the 16 months since the SARC report was issued.

Realizing that the system had not changed in any fundamental way for almost 20 years, the minister at the time, John Sweeney, called for an independent public review.

Former family court judge George Thomson was chosen to head a 12-member committee with a mandate to recommend a framework for transforming public social assistance in our province.

As I mentioned, the SARC report has provided us with a blueprint for change in Ontario's social services system. But perhaps its most immediate impact was to change people's views on the nature and extent of poverty in our province. The SARC report, and the resulting extensive news media coverage, exploded many of the myths the general public believed about those on public assistance. Let's take a brief look at three of them.

**Myth 1:** Most people on welfare are adult men who could work if they had to.

Not true. The fact is that employable but out-of-work adults represent less than 14 per cent of the beneficiaries of social assistance. Children and their sole-support parents are the largest single group on social assistance—more than half of all the people on the program when you include dependents.

**Myth 2:** All welfare recipients live in public housing.

Again untrue. Less than one in five social assistance recipients, the SARC report said, live in rent-geared-to-income accommodation. The majority compete in the private market for affordable housing.

Finally, **myth 3:** Once they start to collect benefits, most people never get out of the welfare system.

In actual fact, employable recipients remain on the welfare rolls for an average of seven months; 40 per cent leave the system after three months. Single parents average between three and four years on social assistance and even those with disabilities average only slightly more than five years.

For the vast majority, then, social assistance meets a temporary need often created by a life crisis.

From its consultations, SARC found that people on social assistance really wanted to work and to get out of the social assistance system. I think that was one of the fundamental elements of the report which we need to repeat time and time again.

The committee's final report contained 274 recommendations for comprehensive reform.



Their thrust was that social assistance should not be a passive program that just gives money to people, but rather that recipients of social assistance must be treated as capable, worthwhile people who need economic and practical help towards independence, and that the program must actively support the aspirations of recipients.

Its focus was on helping recipients make the transition from dependence and isolation on the fringes of society to self-reliance and integration within the community. It suggested reform be implemented in five stages.

It recommended, for example, new income programs for children and programs for disabled people which would take those groups out of the social assistance system.

It asked for the addition of income supplementation for the working poor, the elimination of unfair eligibility rules, a single social assistance system—where two now exist—in order to simplify the system, and the delivery of services by one level of government in each community.

When the SARC report was released on 6 September 1988, it and the changes it proposed were well received by the news media, the social service community and the general public, as well as members of all parties in the House.

#### 1410

On 18 May 1989, the then minister of Community and Social Services, the member for Kitchener-Wilmot (Mr Sweeney), rose in the House to announce details of a major social assistance reform package. He described it as one designed to assist those receiving social assistance to become more economically independent, to provide greater benefits to families with children and to reduce the complexity of, and build greater fairness into, the system. The first changes came into effect 1 October of last year.

Let me just stop for a moment to briefly summarize what I have just said and to show you the significance of what we have done. Since September 1988, this government has moved from receiving a comprehensive report on social assistance to announcing a \$415-million package of reforms and implementing those reforms. All of that in just a little more than a year.

Because I was not the minister for much of that time, I feel I can point out that this is a pace of reform of which few governments, provincial or federal, past or present, can boast.

I feel this is an important measure of this government's commitment to reform in the field of social assistance.

Now, back to specifics. I would like to go over some of the major elements of the reform announced by Mr Sweeney, which have now been implemented across the province.

One of the key programs was, and is, the supports to employment program, known as STEP. In keeping with our theme of helping recipients get back into the mainstream of community life, this program removed financial barriers to full-time work for those on social assistance and is helping to make the working poor better off.

STEP includes a total of nine changes in the system, consisting of exemptions, deductions and special payments, all designed to encourage those on social assistance to seek work and those with jobs to remain at work. For example, it eliminated the 120-hour-per-month rule for single-parent recipients, thus no longer limiting them to part-time work as a condition of eligibility for benefits.

Let me give you an example of how the STEP program might be of benefit in a particular case. Let's use the example of a single parent with two children under 10 years of age who was receiving family benefits. Let's say this sole-support parent had rent of \$600 per month and child care bills of \$500 monthly. Under the old rules, if she decided to take a full-time job paying \$8 per hour, she would be worse off by \$425 each month. For that single parent, then, there was no incentive for her to go to work. She and her family would have been better off if she stayed out of the workforce and stayed at home.

With the new STEP program, that same single parent is better off by \$277 per month. Those figures are impressive but the main test of the program is how it will work out there in the real world. Obviously, since it only began in October, our experience with STEP is limited. But I am happy to be able to tell the committee the preliminary feedback we are getting is encouraging.

My ministry examined the number of recipients on family benefits who had employment earnings in December and we compared that to the 12 months before the introduction of the STEP program. We found not only a substantial increase in the number of recipients with employment earnings, but an increase in average gross earnings as well.

While these results are very preliminary, they do indicate that STEP is already achieving results. SARC called on us to give recipients a chance to get into the workforce. That does seem to be happening.



The reform package also included additional assistance for welfare recipients seeking work—a \$62 million expansion of funding for employment support services, including \$8 million for additional literacy training.

As well, in an effort to lessen the crushing effect of child poverty, the reforms added a \$54 million increase in basic allowances for families with children. At the same time, in keeping with the SARC recommendations, \$18 million was earmarked to make several aspects of the social assistance system simpler and more fair.

For example, the level of benefits for single men aged 60 to 64 was raised to the same level as that paid to single women of that age; the rate was increased for those individuals over 65 who do not qualify for the federal old age security pension; and the treatment of farm income was changed to put it on the same footing as small-business income.

All of the changes I have just mentioned came into effect 1 October. At the beginning of this month we instituted two more significant improvements at a total cost of more than \$200 million annually: first, an overall six per cent increase in social assistance rates; second, a \$119 million improvement to the shelter allowance system.

Again, let's use the example of a single parent with two children to show the impact of these changes. That single mum is now eligible for up to \$1,213 per month under the family benefits program. That is a 20 per cent increase over the maximum benefits she could have received last year and 65 per cent more than that which would have been available to her in 1985.

Finally, I would just like to mention one important administrative change we are examining. In Peterborough we are pilot-testing a program whereby benefits are deposited directly into the recipient's bank account. This will avoid problems of late or lost cheques and also help recipients overcome the stigma so often attached to being on assistance, with people in the bank or grocery store knowing that the cheque you are asking them to cash is a welfare cheque.

Implementation of these first SARC recommendations is well under way and has taken place since I became Minister of Community and Social Services just five months ago. I am very pleased with the professionalism and skill of ministry staff that made it possible for such a major reform to be undertaken in such a short time. The reform package represents perhaps the most significant set of improvements ever undertaken in Ontario's social assistance system,

but many of the additional reforms require new provincial legislation. For a number of years there has been an interest in recasting the present General Welfare Assistance Act and the Family Benefits Act into a single piece of legislation. The SARC report made that task a priority. So did my predecessor in his announcement of last 18 May.

SARC has given my ministry a broad outline of the issues and concerns around new legislation, but of course it is up to us to find a sound and long-lasting solution to these problems. For the past year ministry staff have been working on a framework to accomplish this through a careful examination of our whole system of income support. The job of recasting two pieces of legislation may sound like a simple procedure, but I assure you it is not. The challenge is more than to link two programs together; it is to develop a statute that genuinely reforms the system.

There are more than 200 such issues that have been identified and must be considered before a new statute can be prepared. To assist me with this task I intend to establish an advisory group representing a cross-section of the community to recommend legislative reforms. My ministry is currently examining a number of options for the consultation which will be so vital to ensuring our new legislation effectively deals with those issues. In that regard, I want to continue to work with that broad coalition of churches, business, labour, social groups and other prominent Ontarians who lent their endorsement and support to the SARC recommendations. My ministry will continue to look to that group for advice as we move towards new legislation to govern social assistance in Ontario. That group must and will include municipalities which play such an important role in the funding and delivery of social assistance in Ontario.

Earlier I mentioned the work of the Provincial-Municipal Social Services Review Committee, whose report I expect in the next few weeks. The review was established in May 1987. Its task has been to examine the relationship between Ontario and municipalities regarding the planning, delivery and funding of social services and to propose a more rational framework. As you know, many types of social services are funded jointly, usually on an 80-20 basis, by the province and municipality and delivery is provided by the municipality.

The reviewing body is a tripartite committee, consisting of representatives from the Association of Municipalities of Ontario, the Ontario

Municipal Social Services Association and my ministry. Through extensive research and public consultation they have been looking at income maintenance, children's services, child care, elderly services, services for persons with disabilities and community support services. I know that they have taken into consideration the recommendations of the SARC report and these will no doubt have an effect on their final report.

The more and more we look at the issues related to social assistance the larger the cast of potential players. The SARC report recognized that. As I have indicated, the report's recommendations went beyond my ministry's responsibilities for social assistance to involve other ministries and, indeed, other levels of government. SARC recommended, for example, the elimination of OHIP premiums for individuals. In his last budget the Treasurer (Mr R. F. Nixon) did just that. SARC also suggested reforms that would affect some aspects of the whole income security system, and that involves other provinces and the federal government.

Let's look at three major long-term recommendations of the report. SARC called for new benefit programs for children and disabled people and a scheme of income supplementation for the working poor. All three of those programs, according to SARC, must be national in their scope and SARC recommended that they be initiatives of the federal government. We, in Ontario, have been providing information on the SARC recommendations in an effort to start and sustain a dialogue on these crucial issues.

**1420**

The principles and objectives of the Social Assistance Review Committee report have played an important role in social policy reform in our province. Clearly, the report has given policymakers across the country much to contemplate for the future.

I hope the update I have provided today gives you a good picture of how far we in Ontario have come just over the past few months. Thank you again for the opportunity of speaking to you today and I welcome any questions.

**The Chair:** Thank you for that report. I think it is very helpful.

**Ms Hošek:** I am very interested in this and I would like to ask the chair how many questions we can have.

**The Chair:** We are okay. We have about 40 minutes, so anything less than a dozen.

**Ms Hošek:** I have thought of three, if that is all right.

I am very glad that you are here. You know that we have received many, many groups coming in indicating their concern about the implementation of SARC and the next stage. I am particularly interested in the question of opportunity planning and I know that is one of the hearts of the report. I am concerned about the resources being made available for this to become actually real, on the ground. I would like to have your sense of how much that is actually being delivered to the people on social assistance. I am particularly concerned about mother-led families and the women in those families. How are we doing on actually providing opportunity planning to those folks?

**Hon Mr Beer:** I think that is obviously one of the really important questions. In terms of ensuring that STEP does what we want it to do, we have to be able to, in effect, counsel better the people who are receiving that assistance.

Let me make two comments. The first is that, as I noted in my remarks, we are now in about the fourth month of that program. We are looking to be able to make a more specific analysis after six months in terms of having much more data on how that functions. But, none the less, let me just bring you up to date on what we have done.

We carried out, over the summer and during the fall, prior to 1 October, pretty wide-ranging programs of working with all our staff who are involved in income maintenance; working with municipalities around the parameters of the program and, if you like, I suppose, the ways in which we could market the program so that, as individuals came in to apply for social assistance, we would be able not only to deal with the sort of nuts and bolts of that, but begin the work of providing them with the information that they would need in terms of getting into the workforce, directing them to an appropriate agency, whatever it might be.

That went on during the fall. The result of that, our understanding in terms of the feedback from the staff, was that then put them in a position to be able to carry out much more counselling than they had done in the past. We are always mindful of the problem of staffing and we have been trying to do that, to a great extent, within the available resources we have and in terms of adjusting people's duties and the like.

I think what we have seen to date—and we want to be careful with these preliminary estimates because, frankly, they really are encouraging as we look at where people have been able to go to get work and what has happened to their monthly earnings since that time. But if the same pattern



continues to emerge a couple of months from now, it will clearly show that we have been able to have a significant impact on many people.

There is another element, I think, of the opportunity planning which deals with the employment program part that we were bringing in, apart from STEP; other employment initiatives. We are still working with those and proceeding to implementation. I think we are learning about the kind of information that the income maintenance workers, the opportunity counsellor, the case manager; if you like, that individual is going to have to have. I think it is fair to say that we are still learning and improving how that works.

One of the key things I mentioned, I would be setting up a group to work with me, which will consist of the people representative of that broad area that was involved with SARC. This is one of the areas that we want to look at very carefully so that we can be sure that the kind of advice that these individuals need to get, that they are getting it, whether it is in relation to child care or specific kinds of job counselling. I think, in summary, I would say we have certainly progressed a great deal since early in the fall, but with the STEP program—we are going to be carrying out an external review of that program. That is a program which I want to be reviewing with the advisory group to see if, in fact, we are able to be all the things that we want with them.

**The Chair:** I think with the extensive growing list, we should probably limit the questions to two or three at the most.

**Mr Faubert:** Could I just ask for a supplementary on this? A very quick supplementary.

**Hon Mr Beer:** Limit him to one, then.

**Mr Faubert:** I do not want to cut into Ms Hošek's time. When you are talking about staffing problems and related to staff, are you utilizing all the advocacy groups who are in communities, who counsel and assist the people, and bring them into the program? Have you made a specific effort?

**Hon Mr Beer:** We are trying to make sure that all of the various groups and players are aware of the program, that they are knowledgeable about it so that they can be working with that. In fact, I believe that shortly we have another information piece that we are going to be getting out to a broad range of groups because, frankly, one is always finding that some who you think would be more aware of the program are not. I think that we just said, "Look, we have got to keep communicating or, if you think everybody

knows, probably do it again because, clearly, those organizations can be of tremendous help to individuals in getting them into the program."

**Ms Hošek:** I hope someone asks the question about child care, but I want to ask a question about my nightmare, and that is that the federal government is preparing a new budget. We have every reason to believe it is going to be a very tough budget. One of the things that the federal government is most likely to be tempted to do is to cut transfer payments to provinces. The thing that I am most worried about is that the Canada assistance plan, which has in the past supplied open-ended funding for people on social assistance all over Canada and has not had a limit on it; has simply said, you know, if the province spends X dollars, then half of that will come back from the federal government to support social assistance expenditures—our entire system is predicated on that assumption.

My great fear is that in this next budget, the federal government puts a limit on the amount of money it is prepared to spend in this area and I wonder what we can do at that point. But I would like to know what kind of thinking is going on in your department? I am thinking about the direction we have taken with SARC and the potential effect of such a decision by the federal government.

**Hon Mr Beer:** It would, as you say, have a dramatic impact on us. Members of the committee might be interested to know that of our \$5 billion dollar budget, roughly, almost \$2 billion we received through the different programs funded by CAP, so that is a significant amount.

There are two things that I would say about the federal role. One is that we certainly have urged them not to cap CAP. And it is interesting that Erik Nielsen, when his task force earlier in the 1980s carried out its work on programs, federal government programs, one of the things it said was that CAP was a very effective program—I am summarizing—but that the provinces ran it, in its view, very carefully, and that they were getting value for the dollar spent. We think that is still true.

A number of the initiatives that we have done, especially on the income supplementation side—we have probably pushed the envelope, if you like, of CAP about as far as it can go in some cases and the federal government is going to have to make a commitment to join with us in a number of program areas. A specific example: the whole concept of children's benefits. My predecessor spoke about that. We have urged that this be looked at very seriously in terms of



developing a new children's benefit in the future. But that can only be done, in our view, if it is a national program, if there is federal participation.

Income supplementation for the working poor: As we try to go forward in recognizing some of the changing economic realities out there, and those who are living very close to the poverty line, however defined—again, if we want to deal significantly with the income reform side, as a province we can do a certain amount and we have been, and I think I can say we will continue to do that, but we very definitely would need the federal government to join us in that kind of a project.

1430

I suppose what we are saying, and what I am saying to the federal government is, either in the federal-provincial forum or in other places where we meet, that we know that the problem here is that if we do not deal with these issues around social assistance in some sort of logical, well-thought-out way with programs, we are still going to have to deal with the problems that are out there; it is not that you can just put that off.

We would be far better off trying to really focus on some of the federal-provincial programs: how we can make CAP work better, whether there are some things we should be doing that we are not, or some things that we have been doing that we do not need to do or that could be done in a different way; but let's come together and really work as partners. To date, frankly, they really have not been that interested in looking at that issue with us.

**Mr Morin-Strom:** Thank you very much for appearing before us. I am very concerned, though, that when you, partially in response to the last question, bring up a program such as the benefit program for children, and in your statement you refer to three areas, benefit programs for children and the disabled and then an income supplementation for the working poor, you are taking the position that Ontario cannot move alone on these, that you are dependent upon a national strategy and a national initiative there. If that is your position, you are really saying, "We're not going to do anything about it."

Where would we be in health care today if Saskatchewan had not moved on medicare on its own back in the 1960s and had waited for the federal government to start it with a national program? Sometimes it takes leadership from the provincial level, and I would think provincial leadership from a province the size of Ontario

would carry far more scope in terms of spurring other provinces and the federal government to get on board.

**Hon Mr Beer:** I am delighted you asked that question, and if you took that from my answer to Ms Hošek let me quickly say no, that is not the meaning of my remarks. In fact, quite frankly, I think the program that we brought in last year demonstrated leadership and I think that if you are talking with many of the groups and organizations in our communities who are dealing with those on social assistance, their feeling is that those changes that were brought in were very good, were very necessary. Obviously there are other places they would like us to go, we recognize where we have to go and I know we are going to continue to try to take a leadership role, including in those areas.

Look at two things. With the Transitions report and with that whole theme of Transitions, where we are now talking about assisting those on social assistance to move into the workforce and not cutting off their benefits as soon as they get a job—if you think of that concept as an approach to dealing with social assistance with those on very low incomes, I think that provides a vehicle, as we look at programs that we would want to continue to work with in terms of the working poor, where we would have people on a continuum, if you like, as we help them move from where they require total social assistance support to where they require very little and then finally move off on their own because of the work that they are able to do. On the children's benefit, we have gone forward with work on that. That was why we made the change ourselves last fall and added \$54 million for children's benefits within the reforms.

So we are definitely going to continue with these programs and try to look at other areas where we can help. I think what is important, though, at this point, and again, I think it is something that the social activists and groups out there would say, is that there is a point where to really make the next quantum jump, if you will; we should be looking at some of these as national programs. Our hope is, working with other provinces, a number of whom I think are very interested in these programs, that we can convince the federal government that this is a place where it quite usefully could focus its attention and look at that whole income supplementation area. I think you will find over the next weeks and months that we are going to continue to have a focus on this area, try to ensure that these programs work and see what else we need

to do and can do as a province to help those on social assistance.

**Mr Morin-Strom:** If I could allow one more question, I would like to ask about time frames. I wonder if you have a time frame or schedule in mind in terms of completing the implementation of substantially your total response, you might say, to the Transitions report, how far along that time frame we are and how much farther we have to go in order to achieve what you feel would be substantially a complete response to this report.

**Hon Mr Beer:** Leaving aside the recommendations, and so on, that relate to the federal role, and obviously not being able to speak for what might happen there, I think the next major significant task we have at hand is bringing together the general welfare and family benefits legislation into one piece. The reason that is so important is that that is going to give us the opportunity to set out clearly the principles that should guide our approach to social assistance in terms not only of whom we are dealing with, but of the fundamentals of adequacy, of equity, of those various issues. That as an exercise is probably going to take a couple of years before it is finally and totally finished as legislation.

One of the reasons for developing a continuing group from the various interest groups, to advise on the legislation and on the way in which the programs we have now implemented are working, is so that during that phase we can continue—there are a number of recommendations SARC made around the disabled, around singles, not all of which were able to be done in that first grouping—to look at those and try to make changes in those areas as we go along. But I would think that, substantially, in terms of what the province could do in responding to that report, something in the order of two to three years would see us having been able to deal with the vast bulk of the recommendations that directly were in the province's domain.

**Mr McLean:** A couple of short questions. It was brought to my attention by the field workers that there is a large increase in applications. The one scenario is that there is a male who applied for assistance who has a spouse and some children. He makes \$11 an hour. It is indicated that he qualified for \$200 and some a month. Would that be possible?

**Hon Mr Beer:** It is always difficult, with specific examples, in terms of what some of, you know, the person's personal situation in detail would be, so I would be a little careful about saying automatically whether that individual could or could not apply. Whether he was

disabled in some way or whether there were other—

**Mr McLean:** He is working, making \$11 an hour.

**Hon Mr Beer:** The criteria are there by which you can apply and become eligible for those programs, and those are fairly clear. Off the top, one would think that someone making that amount of money likely would not, but as a specific example, it is one that if I had more detail I could get back to you on. I think the focus, again, is really on those who are working at a much lower rate, certainly, than that.

**Mr McLean:** Would you have many farmers on assistance? You have changed the criteria. Would your staff have any idea if there has been—

**Hon Mr Beer:** In fact, I think it is fair to say we have just changed the criteria so that in terms of the impact of how we deal with them, I do not think we would have had enough time yet to see what impact that had. In terms of the number of farming people on social assistance right now, I am not sure. Mark, would you have that?

**Mr Woollard:** A very low number prior to the implementation of the change but, as the minister noted, the change has just gone into effect and it is too early to assess what, if any, incremental effect that will have.

1440

**Mr McLean:** Okay, the final question I have is, people over 65 who get the old age pension, they also can apply. Is that right?

**Hon Mr Beer:** Yes.

**Mr Woollard:** Who can get the old age security pension? No.

**Mr McLean:** It says, "The rate was increased for those individuals over 65 who do not qualify for the federal old age security."

**Hon Mr Beer:** No, just those who do not get it are eligible.

**Mr McLean:** I thought everybody did. Does everybody not get the old age pension at 65?

**Mr Woollard:** If I may, minister, the federal government has eligibility requirements, residency being one of them, which can exclude a good number of immigrants until they have been in the country for 10 years or more, and those are the typical kinds of cases that would qualify for social assistance as they wait for their eligibility period to arrive.

**Mr McLean:** I was getting scared there for a minute. I thought I was not going to get it.

**The Chair:** You have a long way to wait yet.



**Mr Haggerty:** I wanted to compliment the minister for his comments this afternoon and particularly, moving in the directions that the committee had reported last year, I believe it was, to accept the Thomson report, in the first stage, anyway. But I have some concerns. We have had a witness who appeared before us here yesterday and the day before, concerning a welfare program from the province of Ontario. I am going to quote from this one here; perhaps the minister's staff has not read it yet. This is from the Federation of Women Teachers' Associations of Ontario, Poor Children in Ontario Schools.

As you talk about in your statement today, saying that there had been additional funding given to single parents with children and families, it should give some help. And then we had another report here that came in dealing with rent-geared-to-income from the Co-operative Housing Association of Ontario Inc. They mentioned that about 82 per cent of social assistance recipients, for example, are housed in the private sector, and in Metro Toronto such tenants pay an average of 64 per cent of their benefits each month for shelter cost.

I think this is one of the fears we had when we moved into the area of this committee, making that recommendation to the Treasurer that you can provide more funding there, but that somebody is going to cream some of it off—in particular, it was in the area of shelter costs—and even of some of the witnesses who appeared. Apparently this has taken place, or has anybody made any analysis in your ministry?

**Hon Mr Beer:** Remember that two of the major changes just occurred this month and in fact, if you are on family benefits, those changes go into effect at the end of the month; with general welfare it is the beginning of the month. Those two changes related to the increase in the basic shelter allowance and the six per cent on the basic needs.

I think what we are looking at very closely with the various groups in the field, those who have been involved with the social assistance reform, the intent clearly, by changing the way in which we dealt with basic shelter and basic needs, is to try to ensure that the single parent would have more money in her pocket for food, and that the kind of situation then, in terms of the need to make use of food banks, the kind of situation, as you say, where teachers are reporting children at school who do not seem to have been fed properly, we would begin to see an impact on that. It is too early for us to be able to

assess that as yet, but we are going to have a very clear system in place to ensure that we can see that.

I think the other point we have to keep in mind here as we go forward with changes, when we are talking about the concept of the children's benefit, is that we want to try to bring about changes that are fundamental, that go to root causes. That is one of the things that was important about the reforms John Sweeney announced last year. There are some things that perhaps can be done and that indeed we may have to do that are of an interim nature.

But I think we need to remember that if we want to deal, for example, with child poverty to the extent that we then can help families so that they have more money at the end of the month for the various needs that the family has, we can make a long-term impact, if there is proper child care that we are able to provide, if the single parent who wants to get back into the workforce can get back and improve her salary. All of these things are going to have a long-term impact on the situation that you describe. That is why I think we are looking at these to see, have they been able to have an impact on that kind of situation and if not, what changes do we need to make to these programs, or what other things do we need to do to ensure that?

**Mr Haggerty:** Many of us here had municipal experience setting up these hearings today. Years ago you used to have a good health nurse within a municipality who looked after the schools. I do not know what goes on in the schools today, but from what they told us yesterday, it leaves the impression that nobody checks up on these students, particularly at the lower level. The question is, the teachers know this, but whom do they refer it to? Is there such a thing as a health nurse within these schools continuously?

**Hon Mr Beer:** Let me tell you about a couple of things that we are doing together with the Ministry of Education and the Ministry of Health. Those of you here, and there were some who sat in, at least in part, on the select committee on education's hearings about a year ago, will recall we got into a lot of discussion around the community use of schools and whatever sort of government bodies or professional people should be involved in schools; health and social service being two of the key areas.

In the fall we released a report called Better Beginnings, Better Futures, which is earmarking funds for particular programs dealing with those kids at risk—one of the clearer groups is those



who come from poor families—and the problems they are facing. Obviously, at school one of the things that was being noticed was the nutrition they were receiving, as well as other issues.

We also have an advisory committee that my predecessor set up on children's services, which will be giving me a report in June, which is dealing specifically with the different ministry programs that deal with children, to what extent they are harmonized in any way, which ones are working, which ones are not, what things we should be doing to try to deal more effectively particularly with child poverty. I think those both will be very useful to us.

But I come back again to the point that I think in the long run it is terribly important that we focus on issues like the children's benefit, that we pay careful attention to the increases that we are able to provide. I think our record over the last few years in making changes to social assistance rates is a good one, because we have to ensure that, having made this extensive financial commitment at \$400 million, we cannot just leave that and not do anything for five or six years, because then we will be right back where we started. So we need a combination on the income side and on the program side in order to address fundamentally the issue that you have raised.

**Mr Haggerty:** I am just thinking about—

**The Chair:** We have run out of time.

**Mr Haggerty:** Just one more; I just want to follow up on this because it is important.

**The Chair:** Very briefly.

**Mr Haggerty:** I am looking at the recent study done, the Regional Municipality of Niagara Review, by Kitchen. It talks very little about this, but I can tell you this much. As much as you are trying to do good, and I hope something good will come out of this, too much time now is spent by social workers not on the job. They are travelling back and forth because everything is centralized. That is where the problem is. Nobody does the—

**Mr McLean:** Put phones in their cars.

**Mr Haggerty:** But nobody is really concerned about them, I do not think, about that particular consulting with the families.

**Hon Mr Beer:** I think one of the things actually that came out of both the Thomson committee's work and work that the ministry has been doing is, precisely how can we cut down on the kind of administrative work that our people have to do and that the municipal people have to do? There are some pilot projects, for example,

right now, around the use of just simple things like phones and other kinds of equipment that will allow somebody then to do work with those on social assistance in their own homes, and not have to be running back and forth.

I think within the school there is a sense we have that there are things that could be done, not by teachers, not adding a load on teachers, but by other professionals in the community, because that is the one place we find all the kids at some point and where perhaps we can more effectively try to help them.

**Mr Haggerty:** I appreciate the additional \$18 million put in there, but you know, the food banks are still there.

**The Chair:** Mr Haggerty, there are four other members of the committee, with less than 10 minutes.

**Mr Haggerty:** I have all afternoon.

1450

**The Chair:** Not everyone else does. Perhaps you can meet Mr Beer later.

**Mr McCague:** Last year, your recommendation was that the Treasurer allocate funds for the complete implementation of stage 1. As often happens in government, I do not think you quite get around to spending a complete year in year 1, 1989-90. And there were also great differences in the estimate of what the implementation of stage 1 would cost on an annualized basis.

Can you tell me if you have determined what it will cost on an annualized basis and how much of that will be spent in this fiscal year on the program?

**Hon Mr Beer:** You are quite right. Obviously, the announcement of the program was in the spring and then we began in October and some programs began then, some began in this month.

The other thing to note is that I think, specifically in terms of the recommendations by SARC, it split its program up into a number of stages. In the projects which we undertook at the beginning we, in fact, did some from what was their stage 1 and some from other stages as well. I think we have commented on that and the former minister did, that some of the specific thrust and direction was somewhat different.

I am not sure if at this time we have a sense exactly—and I will ask Mark if he can help us out—on the sort of specific amounts that would be spent within this fiscal year in rough terms.

**Mr Woollard:** I think, to be safe that the numbers are accurate, we could provide that back to committee members with details but the minister is right that a number of the initiatives

have specific implementation dates well beyond the start of this current fiscal year, so necessarily the first year we will not spend all the money.

I think there is no question that the benefit level changes, the shelter benefits and the children's benefits improvement, in January and October respectively; that money is flowing as planned, as calculated, because our estimates of those figures can be quite accurate because we have the computer data to base it on.

But in terms of employment programming, that could be where there is greater difficulty in exactly flowing the money in the way that one might originally have intended, but we will provide details.

**Mr McCague:** Do you want to comment on whether the programs that you have implemented are more costly than you expected or less costly than you expected?

**Hon Mr Beer:** I think that at this point, we were looking—I know some of you may recall that in March the standing committee on social development, which was set before Christmas, is meeting to discuss issues around food banks and poverty. It is our hope to be in a position at that time to have more hard information on these different programs. Again, with some just starting this month, by the time we get to March we should have a better fix on those.

My sense at the moment is that we are proceeding as planned and if one were to look at the specifics set out in John Sweeney's press release last spring, those are the programs that are being implemented with the exception that some of those will be kicking in during the next fiscal year. We will try to set that out more clearly for the members of the committee.

**Mr McCague:** One more, the committee also recommended last year that the government should proceed with a cross-ministry, cost-benefit analysis of the recommendations of all stages of the SARC report. Has there been any progress made in that area? Or are you doing it?

**Hon Mr Beer:** What we are starting with is our own programs and reviewing all of those and really putting into place how we are doing that. Because I think we said, "Look, what is critical here is being able to demonstrate the outcomes of these programs," I suppose specifically geared towards estimates, discussions around the cost of implementing the programs, what happened to those, how many people were involved and what the results were.

We have started that. We have not moved to looking at other ministries as yet.

**Mr McCague:** You would probably be pleased with anything that a committee of such wisdom would put together.

**Hon Mr Beer:** I am sure that we would be pleased with anything that a committee of such wisdom would put together.

**Mr Cleary:** I was pleased with some of your opening remarks. I had about three questions but two of them have already partially been answered. I guess the one that really interested me was the transfer payments from the federal government to share in your programs. I was going to ask you, do you have any inkling where the federal government priorities are, like in social assistance or in some other areas?

**Hon Mr Beer:** Since I became minister I have had one federal-provincial meeting which took place in the fall. There were a number of concerns that provincial ministers had about different things that were happening. One was certainly the concern raised earlier about the future of CAP. Another was in child care and, specifically, what was going to happen with the federal initiative.

At that time, the federal minister Mr Beatty said that within the lifetime of the current federal government that it would be bringing in some child care initiatives. We have not heard anything further in any specific way about that.

What I have been saying is that, clearly, if you want to make some kind of impact or have an impact on poverty, there is just no question that continuing to develop child care is critical. We, as a province, are proceeding to prepare the second three-year cycle of our child care program. But, again, there is just no question that, if the federal government wanted to come in with a national plan to focus on that, we would be able to provide many more spaces than we would where we are just doing it on our own, even with the sharing that does come under CAP.

As you know, they are focused on other issues; the deficit, the goods and services tax, so I really have no clear indication of where they want to go within this whole broad area.

**Mr Cleary:** Another question I have is to do with plant closure. In the immediate area where I live there have been eight plants that have closed. We have a group of employees there under 55 years of age; many have families and they do not have many savings. The ones 55 and older can get involved in the federal-provincial programs, the program for older worker adjustment and a few others, if they are lucky.

It is this group of 55 and under that is a great concern to me. I just wondered if that had ever

been discussed by your ministry and I guess the question that I would have is, has there been an increase in benefits to 55 and under?

**Hon Mr Beer:** The point that you raise about the number of plant closings over the last while—and I think we could go around to a number of communities where that has been happening and there is a real concern. I do not know that we have any statistics at the moment on under 55. Certainly, people of any age who come in and apply for assistance, if they are eligible, would receive it.

I think we are concerned and are looking at the growth in different age areas. For example, we have noticed, in particular and with concern, what is known as the transitional age, youth, 16-year-olds to 24-year-olds and the growth in that number; that in fact something in the order of 66,000 are receiving social assistance. I think that is a scary figure because they are clearly being missed by whatever economic activity there is.

The kinds of programs that we need to be able to make available to the group you are identifying; working with skills training, working with the Department of Employment and Immigration; again, there are a number of things that would be there. I would suspect that we will be getting some sense of the extent to which, at least on our social assistance roles, that age group is increasing and then what that means in terms of not just our programs but federal and provincial programs. But at the moment we have not seen any noticeable growth or anything different from that.

The experience that you are relating is happening elsewhere and we are going to be on the lookout for it.

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**Mr Daigeler:** Just very briefly, thank you very much, Mr Minister, for appearing before the committee. We have had representatives of the municipalities at these hearings, but also outside, complain quite forcefully that they have to fund in part new provincial programs. And, among others, they refer to the SARC reforms, even though I think they were quite supportive of the idea. So I am just wondering how you are getting the message out that the municipalities should share in the cost of these programs. If we are all in support of these initiatives, I think it is only reasonable that at least some portion comes from the property tax.

**Hon Mr Beer:** I am very encouraged by the fact that, as the Provincial-Municipal Social Services Review Committee came to an end at its

last meeting, both provincial and municipal representatives were smiling and feeling fairly buoyant about their report. I think we asked them to do quite a lot in looking at the relationship; how programs were funded; who is paying; who is delivering; what things should be reorganized within that. If they have been able to come up with what I think they feel that they have, which is something that municipalities and the province can buy into, then it would be my hope that a lot of these sorts of issues and problems would be less. I think, realistically, there are always going to be some issues between the province and municipalities in this whole area. But I believe that there is a sense that that committee was able to look pretty specifically at a number of the major problems that we have been looking at over the last number of years and come up with recommendations. We will be setting out a comprehensive consultation process once that report is out and I think I will have an opportunity to meet with the representatives of AMO during the course of the next couple of months. We hope that we will be able to make some real progress there.

**Mr Faubert:** Thank you, Minister, for the update, but where do we go from here? I know you have talked about getting into a consultative process before you bring forth legislative reform, which is the second phase. Where are we going and how fast?

**Hon Mr Beer:** I think I would start off by saying there is a blueprint, if you like, that was set out in this document. In answer to Mr Morin-Strom earlier, it is going to be in terms of the whole social assistance area, the sort of dominant document that we are going to be dealing with during this period. If you look at it that we have spent sort of the fall in implementing the reforms of the spring, we have already moved on to and, in fact, are well into the legislative reform. While that sounds rather dry, and what is that really going to mean to the person in the street, in fact it is going to be dealing with many of the critical issues that they had in their succeeding stages where, unless we make some basic changes to the legislation, we cannot really have the kind of impact or effect that we want.

None the less we recognize, as everyone does, the growth of the food banks and what that means in terms of what is going on out there. And that is why we feel it is so important that we analyze very carefully what are the impacts of these changes that we have brought in. Because it is not just the government; I think everybody who is



supportive of SARC felt that if we do that, then that will have a direct impact on the individuals on social assistance. I think what I would say as we go through that process; if we find that is not having that impact I do not think we can wait for four or five years. We are going to have to make changes as we go along. But we need to underline that the change that we are into is fundamental and it deals with the root causes of poverty, if you like. So we want to focus on those and perhaps not get caught in doing some things that might look good, but really tend to institutionalize poverty in some way and not get at those root causes. So I think that is our task now and we are going to continue to be at it. I suspect a year from now, when you are looking at this area, there would be other things, other changes which would have occurred.

**Mr Faubert:** So you are on track?

**Hon Mr Beer:** Yes, we are.

**Mr Faubert:** And you are on your schedule?

**Hon Mr Beer:** Yes. Let me just say to the committee, because I think it was clear in your report of a year ago, this remains a key priority, obviously of my ministry, but also of the government.

**The Chair:** Minister, thank you very much for your time and your very straightforward answers to our questions, and for the presentation you made. It is very helpful and I am sure it will find a place for some special attention in our report.

**Hon Mr Beer:** We will get back to you on some of those questions that were asked.

**The Chair:** With the other data; that would be great. Thanks for coming, we appreciate it.

**Hon Mr Beer:** Thank you.

**The Chair:** The next group of presenters is led by Walter Elliot, MPP, and parliamentary assistant to the Minister of Housing (Mr Sweeney). We would like to welcome you. Thank you for coming to the committee today.

By way of explanation I will just tell you that, of the more than 40 deputations that we have had scheduled to come before us, there have been a large number of them that have come in relationship to housing issues, both social housing and private-sector housing, affordable housing, the whole range. We felt that a report from your ministry would be helpful and an opportunity to answer some questions. We appreciate you and your staff taking the time to be here today. We have set aside about an hour. I think we will run it on the same format of keeping it down to two to three questions maximum per member, depending on how our time progresses.

We would ask you to begin whenever you are ready.

## MINISTRY OF HOUSING

**Mr Elliot:** Thank you very much. I am pleased to be here. I would like to begin by bringing regrets from the minister, who is unable to be here today. I hope the committee will understand that in his multiple portfolio he has a large number of commitments. In case some committee members are not aware of how comprehensive the minister's responsibilities are, I have with me the deputy, Glenn Thompson, from the Ministry of Housing. The minister is also responsible for municipal affairs, where he has a deputy named David Hobbs. The waterfront in Toronto is now his responsibility under Duncan Allan, and the greater Toronto area is also his responsibility under Gardner Church. So it is because of that diversification of responsibilities, which really are interrelated and will come up in the brief that I plan to present in a moment, that he is not here.

The other thing I would like to do before I begin the brief is to introduce, as well, to you Sue Corke, who is a director in the housing advocacy task force, on my left; Tim Casey, who is the assistant deputy minister in the social housing wing and Crom Sparling, sitting in the front row back there. He is a building expert on things like taxes, the upfront loading with respect to financing projects and that kind of thing. So if questions come from that direction, he may be asked to field them.

I have a brief and my understanding was that we would have about an hour. I was hoping at the end of the brief that there might not only be questions from the committee members, but comments sort of synthesizing the types of concerns that have been addressed to you by either deputations. Because with the representatives from the ministry here to hear this kind of input first hand, it might be a meaningful way to spend at least part of the remaining time in our hour allocation.

As I indicated, I welcome this opportunity to address the standing committee on finance and economic affairs. I understand you have listened to a number of presentations on housing issues from various groups. From the outset, I wish to make it clear that I am not here to respond to specifics contained in those briefs. Rather, I would like to tell you what we are doing in the ministry and the rationale for doing it. I would like to make a brief presentation which I hope

will be helpful to the committee as it examines representations on housing matters.

Let me begin by saying that the Ministry of Housing's programs are directed towards the retention and creation of housing that is affordable, secure and safe. We have set high standards for housing in this province and meeting these standards is very costly.

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Working with other ministries, with municipalities and nonprofit organizations and with the private sector, the ministry has developed a variety of initiatives designed to match the broad range of housing needs of Ontario residents.

The housing needs of Ontarians are highly individualized. Some people prefer to live in an urban setting, perhaps in a downtown location; others are willing to commute considerable distances in order to enjoy a smaller urban or rural setting and more reasonable housing costs. Some people want a worry-free condominium unit, while others want a lot with a garden in the backyard. However, many people are not in a position to make such choices.

Two out of three of the 3.5 million households in Ontario already own their own homes. The remaining third are in rental accommodation, either because they do not want to be tied down by a mortgage or because they are saving for a home or because the cost of owning a home is beyond their current expectations.

There are a quarter of a million rental households who have to pay more than 30 per cent of their income for shelter and fall into what is commonly referred to as "core need." However, it should be emphasized that the overwhelming majority of Ontario households are able to find suitable rental or ownership accommodation without paying more than 30 per cent of their income for shelter.

In recent years, Ontario has enjoyed a major economic boom. One effect of the current prosperity is the influx of people from other parts of Canada and the rest of the world. The greater Toronto area in particular is the preferred destination for many of these people and its population has been increasing by 60,000 annually. At the same time that the demand for housing has been increasing, the high cost of serviced land and construction has put even greater pressure on the supply of affordable housing. In response, the province has taken an increasingly active role in the production of affordable housing.

The Ministry of Housing's basic strategy is to develop programs and initiatives that maximize

the range of housing choices available to meet the varying housing needs of Ontario residents. This strategy addresses four main areas. The first is affordable housing, the second is social housing, the third is rental housing, and the fourth has to do with building standards.

To deal with the first one, affordable housing: The ministry recognizes the key role played by both municipalities and the private sector in the provision of housing. Our efforts are designed to ensure that through the municipal planning process sufficient land is designated for housing, that such land is able to be put on the market quickly and that municipal standards are such that housing can be built to be affordable.

Our goal is to provide sufficient housing with a range of form and price so as to provide choices for people, including those who want to purchase, and to allow the market to operate effectively so that potential buyers will vacate rental units which can then be available for others. There are three specific tools currently being used by the Ministry of Housing to advance this goal. The first is the use of government land, the second is land-use planning for housing policy statement, and the third is our housing advocacy task force.

To talk about government land first: Through the Housing First policy, all surplus provincial lands suitable for residential use will be made available for housing as a first priority. At least 35 per cent of the units built must, and will be, affordable to low- and moderate-income households.

The Ministry of Housing is working closely with the Ministry of Government Services in the implementation of the Housing First policy. Recent announcements have been made with respect to the release of provincial lands for housing, including last month's announcement of an agreement signed with a private builder who will construct and sell condominiums for under \$60,000 each on government land in Stoney Creek.

Since 1987, almost 4,000 housing units have been allocated for construction on provincial government land. Although the release of provincial land for housing cannot solve all of our housing needs, it is our belief that developing government land in a variety of creative and innovative ways can serve as a model for the private sector.

The second part of this first initiative is land-use planning for housing policy statement. In conjunction with the Ministry of Municipal Affairs, the Ministry of Housing has issued a



provincial policy statement under the Planning Act that municipalities must have regard for in their planning. The policy calls for a full range of housing types in each municipality. Within this range, at least 25 per cent will have appropriate densities and sizes so that they could be affordable for moderate- and low-income families and individuals. It also calls for the creation of more housing in existing neighbourhoods through intensification, the streamlining of the planning and development approvals process and the requirement that municipalities provide for a 10-year supply of land designated for housing.

We are also working through the office of the greater Toronto area to identify how we can best cope with the significant growth we expect to experience in the greater Toronto area.

The third part is housing advocacy. The ministry formed the housing advocacy task force in the spring of 1988 following a consensus that the solution to Ontario's housing difficulties required initiatives on several fronts. The task force operates chiefly in three areas: participation in the land-use planning and approvals environment to facilitate affordable housing production; second, the development of partnerships to enhance the production of housing, and third, the seeking of opportunities for affordable housing.

The task force actively advocates for sponsors of affordable housing, especially sponsors of nonprofit housing. Municipal and regional governments, which manage the land-use planning process, are encouraged by the province to expedite the planning approvals process for affordable housing developments.

Examples of the types of interventions spearheaded by the task force include: organizing testimony at public hearings, planning committee hearings and the Ontario Municipal Board; appeal of exclusionary municipal bylaws to the OMB for a ruling in light of planning principles and the provincial interest in affordable housing, and negotiations and mediation with municipal officials and staff on specific rezoning and planned approvals.

The task force actively seeks municipal and community partnerships to build on the combined strengths of the provincial government and other institutions to better address the need for affordable housing.

Partnerships are directed at addressing housing problems, the solutions of which a single agency or level of government cannot satisfactorily address on its own. Examples of partnerships struck so far by the task force and the ministry are: partnership agreements with the

cities of Ottawa and Peterborough, involving an array of program initiatives and outreach activities; partnership agreements with the Catholic Archdiocese of Toronto, the four Metropolitan Toronto United Church presbyteries and the Canadian auto workers, which involve nonprofit housing development on church land and housing education through church networks; and a jointly sponsored demonstration project with the Toronto Real Estate Board on intensified land use for affordable home ownership.

The task force is also involved in educational activities on housing problems and solutions, community development strategies in support of affordable housing, and collaboration with the Ministry of Municipal Affairs on the implementation of Ontario's policy statement on housing.

The second main area is social housing. The ministry's social housing programs and initiatives provide housing to those in need. The ministry, through the Ontario Housing Corp and 57 local housing authorities, is the largest landlord in the province. It administers a portfolio of about 84,000 units of public housing in which rent is geared to residents' incomes. An additional 15,000 rent-geared-to-income units are provided under rent supplement agreements with owners of private rental buildings. As well, some 100,000 nonprofit units have been constructed across the province since 1973.

We have to consider the significant investment we have in our existing social housing stock and the need to maintain those homes to an adequate standard so that they can continue their important role in the larger communities.

There has been a dramatic increase in the province's commitment to new nonprofit housing since 1985. In that year, the province took over the federal government's responsibility for developing and administering cost-shared social housing in Ontario. The following year, the province announced the construction of 3,000 unilaterally financed nonprofit units, targeted to the most needy in society. In 1987, an additional 3,600 unilaterally financed units were announced, and in 1988, 30,000 such units were announced under the Homes Now initiative. Some 28,000 of the homes now have been allocated and will be completed over the next two or three years.

These unilateral initiatives have been over and above the 5,000 to 6,000 new nonprofit units that are being constructed each year under the nonprofit program that the province shares with



the federal government. More than 25,000 units have been allotted since 1985.

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The 30,000 units under Homes Now is the largest nonprofit initiative ever undertaken by this province or any other province in Canada. It is a \$3-billion capital program and annual subsidies will amount to \$300 million a year.

It is important to note that of the 28,000 units allocated under Homes Now, about 2,000 are actually under construction. There is a lot of work to be done over the next two or three years.

Total annual nonprofit housing production has increased dramatically over the past few years, to over 10,000 homes each year at the present time.

The ministry is working with the nonprofit and co-operative sectors and other interested groups to identify a full range of options to meet the significant needs that still exist.

On the third major classification: rental housing. The Ministry of Housing has developed several programs that aim to preserve the existing supply of rental housing, to ensure it is adequately maintained, to ensure the protection of tenants against excessive rent increases and to seek creative ways to create additional rental units.

In this regard, the ministry administers the Rental Housing Protection Act, which seeks to prevent the loss of affordable rental stock through unnecessary demolitions, conversions and luxury renovations. First enacted as a temporary measure in 1986, the act was significantly strengthened and made permanent in 1989.

The ministry has incentive programs designed to encourage the expansion and preservation of the stock of moderate-cost units in the private rental stock. The convert-to-rent program provides interest-free loans for the conversions of nonresidential buildings to residential use. Some 8,000 units have been added to the rental stock under this program since 1985. The low-rise rehabilitation program offers landlords forgivable loans to help them upgrade apartments in older, low-rise buildings. Almost 10,000 units have been improved under this program since 1985.

The Ministry of Housing also administers the rent review system, which, since 1985, applies to all rental units in the province. This system limits rent increases in existing buildings to an index related to inflation—it is currently at 4.6 per cent—unless a landlord has experienced above-normal cost increases. It also limits rent in new buildings to the amount needed to permit a fair rate of return for the owner.

Finally is the fourth section: building standards. The Ministry of Housing is responsible for the Ontario Building Code, which sets the safety standards for all new buildings, not just residential.

The code is administered by municipalities, with the ministry providing advisory services and training to building officials and builders. The ministry has recently introduced legislation amendments to permit a series of improvements in the building code. The possibility of developing a building code for existing buildings is also being examined.

Several other initiatives the ministry has developed include:

The Ontario home renewal program, which assists low-income home owners to bring their homes up to standard, and in many cases enables individuals to remain in their homes;

The Ontario home renewal program for disabled persons, which assists home owners in making housing more accessible for disabled occupants; and

The home sharing program, which seeks to match people who are seeking accommodation with those who can provide it.

These are the main elements of the Ministry of Housing's strategy. The ministry's programs and initiatives together form a balanced strategy that maximizes the range of housing choices available to Ontario residents so as to meet their varying needs.

The total ministry allocation for 1989-90 is \$560 million. Approximately \$445 million of that \$560 million is transferred to others. For example, the OHC and nonprofit groups get \$129 million in capital and \$316 million in operating dollars. That is almost 80 per cent of the entire budget.

Significant capital and operating expenditures will be enumerated on pages 21 to 24, inclusive. To save a little bit of time, I am not going to read those four pages into the record. I am going to flip over to page 24 and pick up at the last paragraph of page 24, which states that the ministry's total budget has increased from approximately \$243 million in 1985-86 to \$537 million in 1989-90 and will be over \$1 billion by the year 1993-94.

The capital budget has increased from approximately \$55 million in 1985-86 to the \$129 million I spoke about a moment ago in 1989-90. Operating transfers have increased from approximately \$155 million in 1985-86 to the \$316 million in 1989-90 that I spoke about a moment ago.

Due to existing commitments for nonprofit projects under Homes Now, the Ontario community housing assistance program, Project 3000, which is the 3,000 homes of 1986, and Project 3600, which is the 3,600 in 1987, and federal-provincial nonprofit programs as well as those under the rent supplement program and OHC-assisted rental housing, provincial operating subsidies will reach over \$875 million per year by 1993-94, with a mature annual cost of almost \$1 billion, excluding inflation.

Those are my opening comments, Mr Chairman. Again, I would like to highlight in closing that I have a number of people with me and if details were brought up in other presentations, any one or the other of the people with me would be glad to answer them in detail. I would appreciate it if those questions were detail questions and not policy-oriented questions, though.

**The Chair:** Okay. We will go to our committee members. Thank you very much for that. I presume you just whipped that together at lunch today. Well done.

**Mr Elliot:** Since yesterday at lunch.

**Mr Faubert:** Walt, we have had submissions from at least two groups that talked about the provision of singles housing administered by co-operatives—in other words, the provision of dollars to allow that to happen. I am just wondering whether that is an initiative being brought forward by the ministry at this point in time. Will they be asking for dollars in the budget for that initiative?

**Mr Elliot:** There is one thing I would like to make very clear at this point in time. This is sort of a bad month for that kind of question, and I am not answering this specific question one way or the other in what I am saying at this point in time, but we all know that we are in the throes of budget preparation in our ministry and throughout the government, and I really cannot comment on initiatives because there are budget implications with respect to them. So I prefer to pass on that one, if you do not mind.

**Mr Faubert:** You pass on my supplementary too, then.

**Mr Elliot:** I think I made it very clear at the beginning that this process could have a great deal of input into that, because the ministry officials are here, but there is no way that I can in any of my answers indicate any preference from the ministry's point of view with respect to—

**Mr Faubert:** Okay. Let's take it the other way around.

**Mr Elliot:** —policy initiatives, because there are dollars associated with every one of them.

**Mr Faubert:** Yes. Without asking you to commit to anything on that, are you aware of these recommendations and are you working in that field? In other words, are they taking that into consideration for future policy and budget?

**Mr Elliot:** Perhaps we could hear from the deputy from a factual point of view.

**Mr Casey:** The answer to your question is: Yes, we are aware of it. At the present time, in the production targets for Ministry of Housing socially assisted housing about 20 per cent of that housing will be targeted towards singles. So whatever housing we are producing, we have that particular group in mind as well.

**Mr Morin-Strom:** The parliamentary assistant said he wanted to hear what we have been hearing, I guess, in terms of the presentations before the committee. It seems to me that the best thing to do would be to provide copies of those submissions that we have received.

**The Chair:** That has been done.

**Mr Elliot:** We had the submissions, Karl, but the thing I would like to know is what your—

**Mr Morin-Strom:** I got the impression that you had not heard anything about what is going on here.

**The Chair:** The submissions were all provided to the ministry. I do not think anybody needs to be defensive or nervous. Our role here is to write a report giving recommendations to the Treasurer and we need to ask questions. If you or the staff do not feel you wish to answer the question, I think you can simply say so and that is fine. But we have had a lot of questions put to us, and the housing aspects of our report, I suspect, will be fairly detailed.

1530

**Mr Morin-Strom:** I am glad to hear that that has been passed on to the Ministry of Housing people, because that has been a focus of a lot of the attention during this set of hearings.

You may be aware that last year, I think a considerable portion of the impetus for the SARC moves was the result of a very effective process of bringing concerns before this committee with respect to getting response to the Transitions report. We had numerous presentations with respect to that particular issue, and we have had many again this year following up on last year, but I think this committee's recommendations, which were very heavily focused on the Transi-

tions report last year, did have some impact on the Treasurer.

I guess the area that perhaps has struck me in terms of numbers of presentations and levels of concern has to do with what is going to follow on from the Homes Now program. That program is at this point virtually allocated. You are giving a figure of 28,000 of the 30,000 units. I thought it may even have been closer than that. In any case, it is essentially allocated and there is very serious concern in the communities across the province, certainly here in the Toronto area, that that program is going to come to an end and the continued development of affordable housing, particularly nonprofit and co-op housing, will be severely set back if there is not a follow-up to that program, particularly given the fact that the federal government has put a dollar limit in terms of the cost-shared nonprofit housing, which has resulted in a reduction, on an annual basis, of the number of units being produced jointly between the two levels of government, separate from the Homes Now program.

I guess I would just like to express those concerns, if you have any response. You do not mention specifically whether the Homes Now program will be an ongoing effort or whether this is an absolute termination to it.

**Mr Elliot:** I am going to call on Tim Casey to give you a process type of answer to this, but before I do that, from our own perspective in the government, we are really concerned at the capping by the feds and the cutting back by the feds on the cost-shared programs and this type of thing. We have really got a problem there, and I think part of what we are worrying about over the next number of years, because of the obviousness of their deficit and some of things they have got to do, it is going to be really a big problem to meet the kind of initiatives, particularly if we do not have their co-operation like we have had up until now.

With that as a background, I would like Tim to sort of balloon out what sort of initiatives we have been taking in the ministry to come to grips with this. I think you are calling it Homes Next.

**Interjection:** We did not call it that.

**Mr Morin-Strom:** Several groups mentioned that.

**Mr Elliot:** In the things that I had a chance to look over, that is what they said, the Homes Next program.

**Mr Casey:** We have several activities under way at the present time. First, with regard to the federal government, it provides funding for two

major activities. One is the cost-shared federal-provincial nonprofit program, which they have been cutting back funding on. You called it a cap, but in effect it is a cut back in the amount of funding that is allocated to it across the country. Consequently, that means that fewer and fewer units, as the cost of production goes up, are then produced. We are negotiating, along with the other provinces, trying to get federal government to bring more money to the table, not simply reallocate the share among the provinces.

In addition, we have cutbacks that are coming from the standpoint of federal government in the area of Ontario Housing Corp, which they are essentially are cost-sharing 50-50, and if as a cutback on those it means that it becomes more and more difficult to maintain programs in the budget that you see for the Ministry of Housing for Ontario Housing Corp, the cost that you see there is only half the cost. The other half is the federal government's share. So when they cut back either we have to pick it up or the work is not done.

From the standpoint of the nonprofit program in a general sense, one of the things that the minister, the Honourable John Sweeney, has said a number of times before is that we want to ensure that we have an adequate balance in there. It is not only a balance between nonprofit programs and other programs, it is also a balancing in the mechanisms by which we deliver the nonprofit programs.

In that particular vein, we are meeting with and have held a workshop and other meetings with the various sectors, the third sectors out there, the co-operative and nonprofit groups, to look at other means and ways of actually creating and financing social housing. That is ongoing at this point in time and we are using that input to help us look at the types of programs that we feel should be in place for now and for any future years.

**Mr Morin-Strom:** You mentioned wanting to have a balance. I suppose it would include the private sector as part of that balance, but it would appear that the private sector is not doing anything in terms of generating low-cost affordable housing. Is there any prospect of affordable housing coming out of the private sector?

**Mr Casey:** I can just make one comment, which was in Mr Elliot's discussion points, of which an example is the Stoney Creek project where you have housing being brought in at under \$60,000. That is being dealt with by the private sector. It was a tendered type of project on government land. Those types of things are an



example of what can be done. It has to be done in an innovative matter, though. We are not going to accomplish anything by simply going with the traditional mechanisms. This is why we are looking at different ways of doing it. We also have discussions with people in the private sector on the ways that they feel it might be able to be done.

**The Chair:** That reminds me a little bit of, I think it was the Toronto Home Builders' Association had what they called a charrette and came up with a \$99,000 house but they could not find a municipality prepared to approve it so there was nowhere to build it. I guess it is a co-operative problem.

**Mr McLean:** How much land is there available to build houses on?

**Mr Casey:** I could give you the acreage. I can tell you that there are misconceptions of the great deal of land the province owns in the greater Toronto area and there is not. The province owns the majority of its land outside of Toronto. The federal government, on the other hand, does own a considerable amount of land within the Toronto area. Obviously they are making some moves bringing in on stream.

From the standpoint of overall usage of government lands, we have a number of them that are being accessed right now by nonprofit groups and through some of the other affordable housing initiatives. We have allocated out about 4,000 units so far on government land, and that number will continue to increase as time goes on.

**Mr McLean:** How much new government land has been accumulated in the last five years?

**Mr Thompson:** I do not think any of us have the answer to that here. At least I do not, in any case, have the—

**Mr McLean:** Has there been any that anybody knows of?

**The Chair:** Any—

**Mr McLean:** Any new accumulated land to build houses on. Has the government accumulated any new land?

**The Chair:** The Ministry of Government Services would probably have that, but I know of some in my own community.

**Mr McLean:** That has been accumulated.

**The Chair:** Yes.

**Mr McLean:** I want to get back to the 20,000 Homes Now that have been allocated. Out of those 28,000 units, 2,000 are actually under construction. How long do you think it will take before there are 28,000 units that would be built?

**Mr Elliot:** Two to three years. From the time that the allotment is there, usually it takes at least two years for the thing to get up and running and these announcements were made a year ago, so—

**Mr McLean:** They were made in 1988, I believe, were they not?

**Mr Elliot:** This is the first month in 1990. It may be 1992 before a lot of them are occupied.

**Mr McLean:** In 1987—

**Mr Elliot:** I am going by experience in my own riding where we have had a couple up and going and it took 42 months from the time we got going on it.

**Mr McLean:** On page 14, your report says, "In 1988, 30,000 such units were announced under the Homes Now initiative. Some 28,000 of the homes now have been allocated."

**Mr Elliot:** Tim indicates that maybe some comments from him about how the allocation works might be helpful here.

1540

**Mr McLean:** I know there have been a lot allocated, and I am just wondering how long it is going to take to get these units on stream. It appears to be very slow. That is my observation.

**Mr Elliot:** Do you want to say a few words about that, Tim?

**Mr Casey:** I believe it was around the fall of 1988 we announced approximately 8,000 reserved allocations, which means that the municipal groups and a few private nonprofits and a few co-ops were able to then work on that basis without having any project-specific allocation. In the early spring or late winter of 1989 we then announced another 12,000 to 14,000 units and in December we just announced the remainder of the units, to take us up to about 28,400 units.

Anyone who is into building multi-unit housing is quite aware of the difficulties in bringing that on stream. You have to go through the planning process. Unlike many other types of housing that perhaps the private sector builds for profit, we also many times run into the not-in-my-backyard problem, which often delays the housing.

In reality, our housing is built and brought on stream in an average fashion even with those delays. The time to bring housing on varies anywhere from approximately 14 months for a smaller operation, and it can go up to as much as four years if you encounter tremendous community opposition. We have run into those situations, but on average, it is produced in the

neighbourhood of anywhere from two to three and a half years.

**Mr McLean:** A final question. Your ministry has indicated changing the building code and was indicating also with regard to the possibility of developing a code for existing buildings. Could I get an explanation on that? I would hate to see a lot of buildings that are built now under the code come down because of new regulations.

**Mr Thompson:** No, that is not the intent. The intent is to have a code that would be applied if one were renovating that would be like the building code that would allow one to have a greater degree of certainty and across-the-province kind of standardization of changes in building structures.

You might be interested as well to know, if the committee does not already, that the current building code is now on a type of disc that people can obtain and use on computer kinds of equipment. We have had a good demand for that, and a large amount of interest in it across the country as well.

**Mr McLean:** What is your ministry doing to try to solve some of the problems we have heard about in Metro this last while with regard to bringing buildings up to standard? Are you doing anything in the line of the building code to do that, or is that what part of the building code is about?

**Mr Thompson:** I think it would be interesting to hear from Sue Corke, because I think the issue to some degree is one of the kind of advocacy activity we have been involved in and the activities that are going on around homelessness, including the kinds of issues that came up with regard to the tragic fire recently. Since Sue is our representative on the committees that the mayor and the minister established a week or so ago, it would be interesting for you to hear what is happening on that and then more broadly about the issue of homelessness and the things that have been going on around that. Not all these people are without a home, but they are not necessarily in a home that people are satisfied with.

**Ms Corke:** The Rupert Hotel rooming house fire that happened on Christmas Eve brought to a focus a number of issues around low-income singles and single occupancy. These issues are characterized, I guess, or partly, as building standards issues, which have to do with the extent to which the landlords wish to reinvest and wish to keep their buildings up to par, but they also have to do to some extent with an issue of enhanced management or management style,

because a number of the people who live in this kind of housing frequently have a number of difficulties in survival besides just housing. So the issues that are being characterized in the press are of two kinds, enhanced management as well as building standards.

Taking the Rupert Hotel Coalition and the Rupert boarding house example for a second, we have agreed with the Ministry of Community and Social Services and the Ministry of Housing and the city of Toronto to work with the coalition, the advocacy groups that have come together over the Rupert boarding house issue. We have agreed to take a look at a number of different program areas that we could bring to bear on the solution of these problems, not just with regard to physical standards but also with regard to management issues and general overall quality of life of individuals in that stock. That is something which I think is quite typical of what I hope are working relationships that we can have with advocacy groups in this area.

We have a number of initiatives that were announced maybe 18 months or two years ago around homelessness that we can in fact bring to bear on low-income singles, even if it is not a strict definition of "without a home."

We have the capital for permanent housing program that the Ministry of Housing runs, which matches the emergency shelter funds that the Ministry of Community and Social Services puts forward so that for every dollar spent on emergency shelter, which is a transitional and temporary kind of a solution, there is also a permanent housing dollar spent. I understand that money is approximately \$12.15 million that was previously allocated and has recently been enriched to some extent.

There are a number of other initiatives that we hope to bring to bear on the boarding house issue. Access to permanent housing committees have in fact been formed in about 38 communities, taking advocacy interests and putting them together with ministry staff and Community and Social Service staff to try to put in place some kind of an awareness and program around permanent housing. We would hope to be able to accomplish something like that in the Metro area.

There are a number of projects that are intended to take people who have been transient and to try to encourage them to adopt the skills that would allow them to live in permanent housing. I think one that was most recently announced was the Homes First Society's Streetcity, which is a permanent housing project

for 72 homeless men and women. That involves life skills as well as housing.

**The Chair:** Ms Hošek is next. I still have a list. Do you have a brief follow-up?

**Mr McLean:** I wanted to make a comment on the last one and they can perhaps get the information. I am curious. That is not only a problem in Metro. We had a fire in Orillia last week that is the same type of a situation. I am sure most municipalities have that. I am just curious if the government had some policy or initiative that was going to those kinds of problems, to try to have the building people in those municipalities look at those types of things.

**Mr Thompson:** I guess the best answer to that is the very extensive kind of educational activity that goes on through the buildings branch. They are far from just a regulatory group, they are very active in the educational area. They are also very active in working with the people who are dealing with the fire code and all of that side of the issue. I think the two have to go hand in hand, and hand in hand with the kind of positive helping initiatives that Sue Corke was talking about.

**Ms Hošek:** I am looking for a little bit of information. Do you have any recent figures on the production of private sector rental housing in Ontario in the past year or so? Do you know how much of that has been produced in 1989? Are those numbers available?

**Mr Thompson:** Probably the best answer to that would be from Crom Sparling, if you have those figures.

**Mr Sparling:** I am sorry, I do not have the most up-to-date figures.

**Ms Hošek:** I would be interested in having them, and also, since you do not have those numbers, if you could get to the committee the estimate of the kind of income one would have to have in order to rent units in most of those private sector rental buildings that are produced.

The other question I have is about the housing policy statement, which has been around for a little while now. I am interested in what methods of monitoring you have developed and what kinds of results you think you have to show for its effect on the marketplace or on the building process. Is it too soon to know, or do you have any information?

**Ms Corke:** Monitoring processes have been set in place. At the moment, the housing policy statement does two things. It is both an accelerated plan review process for municipalities in priority areas to begin to accommodate the

expectations of the province, so it is a review of official plan documents and zoning and so on, on the one hand; on the other hand, it is a very practical legal document that is currently in use expressing the provincial interest and is being taken into account in decision-making.

I can give you some anecdotal figures off the top of my head. We have been at the Ontario Municipal Board representing the policy statement and have won now, since August, I guess, in about seven or eight cases involving private sector affordable housing, and there have been a number of ongoing successes with the policy statement in terms of nonprofit successes at the Ontario Municipal Board.

There is a considerable amount of evidence or data so far that work plans have been brought in within the time frame that the policy statement suggested, by the vast majority of municipalities that are required to do it. I think the actual data systems for monitoring the policy statement are just getting up in place, so in terms of formal data they may not be a lot but in terms of anecdotal and reaching the first goal there is a fair amount of success.

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**Ms Hošek:** So am I right in saying that in the presentations in front of the OMB, when there have been large developments going forward, it has been assumed at the end of those discussions with the OMB that there would have to be a quarter affordable housing produced? Is that what has happened?

**Ms Corke:** No. What has been happening, I guess, in the interim, is that developers have been wanting to provide affordable housing and someone in the process, sometimes the municipality and sometimes the neighbourhood, has been opposing it and the affordable housing component in the policy statement has been strong enough to win in consideration with other planning issues. So the expectations that the province has with regard to affordable housing have been taken into account in OMB hearings and have been successful.

**Mr Thompson:** So back to the question, if I can answer it, you asked earlier about rental starts. The numbers that I have now got my hands on here say 21,000 in 1989.

**Ms Hošek:** Are those private sector rental starts?

**Mr Thompson:** Yes. You would be interested in the breakdown of them, and I would be happy to give you this document. I do not know whether the committee would want me to go through all



this list of condos and others, but the total is 21,000 anyway, as people put it together hurriedly for me today. So we will see, as we look at it more carefully, if that shapes up to be precise.

**Mr McLean:** Would those people qualify for the \$7,500 convert-to-rent, the majority of them?

**Mr Thompson:** I think this is strictly privately initiated rental starts, apart from those programs. That is my understanding.

**Mr Morin-Strom:** Supplementary: What percentage or what numbers would fit some kind of affordability criteria?

**Mr Thompson:** I do not have those numbers against these at all. I would be happy to try to get that for you, but this was just in answer to a question that I thought you might ask about what numbers of rental have been created apart from governmentally sponsored programs.

**The Chair:** Perhaps you could see if that information would be available for the committee.

**Mr Haggerty:** I want to raise some concerns with the minister. That is concerning the Townsend site—I think you are well aware of that—in Nanticoke. I understand that Government Services had been selling some land in that area. When you look at the sites that are there I understand that the lots are already filled right now and the site requires further expansion and they are developing new lots. It is about 45 minutes to an hour's drive from the greater Toronto area, and there is an impact now in the Niagara region that you have people moving out of Toronto and building and buying property in the Niagara region.

They are right up to Niagara-on-the-Lake and Fort Erie, in that area there, and when it has a large water intake that was constructed some years ago—I think it is 22 feet in diameter—that was supposed to supply Kitchener and all that area there, more of the development should be taking place in that area where there is still remaining government land there, but I would suggest to you that no more of that land should be sold. What land is there now should be developed for individual lot purchasers, not for speculation purposes of persons wanting to build.

**The Chair:** Mr Haggerty, I really must say that I do not think the purpose of this is to deal with site-specific issues of that nature. We are attempting to put together a report to the Treasurer, and I would prefer and I think it would be much more appropriate if we dealt with issues

that relate to the upcoming budget deliberations rather than a site-specific issue like that.

**Mr Haggerty:** The site-specific issue—Mr Chairman, it is government land banking there, and we should not be selling any more of it because the scarcity there—

**The Chair:** Then without referring to a specific site I think the question could be: Have you analysed a policy with regard to selling off of government lands in general around the province, rather than a specific area? We may not have the information. I think it is unfair to put—

**Mr Haggerty:** I am sure that some of them are aware of it.

**Mr McLean:** I think it is a very good question.

**The Chair:** I thought you would.

**Mr Elliot:** We have consulted on it and we are aware of the project and everything, but the news we are getting is new news and the disposition of the land is another ministry again. Tim and Glenn are both taking your information under advisement, because there will be about five ministries involved in this kind of discussion. I am sure they will be interested in anything you are concerned about.

**Mr Haggerty:** I bring it more to your attention that this is what is taking place out there, and that we should consider the policy that is in place now and make some changes.

**Mr Daigeler:** A very general question: Am I right in saying that the provision of affordable housing is still very much a Toronto-area problem?

**Mr Elliot:** I would say no, just from my own personal experience, because in my own local area is one of the 57 housing authorities that was mentioned in what I spoke about, and there are thousands of units of affordable housing region by region through the province. I think that because half the population is in the greater Toronto area probably half the problem is here, but I think this is a common problem right through the province.

**Mr Daigeler:** I think it is a concern, but quite frankly I do not get the sense of urgency in the other parts that certainly is experienced in the greater Toronto area. Certainly it is a concern in the Ottawa area as well, but I certainly do not, as a member, get the same number of requests as I am sure the greater Toronto area members are getting. I am referring to areas such as London and southern Ontario generally.

**Mr Elliot:** Just off the top of my head I think there are two good reasons for the problem being

accentuated in Toronto. One is because of the massive numbers of people fairly close together, and the other thing is that the costs of real estate in the Toronto area have been going up far more quickly than in some of the other areas. So I think that would accentuate the kinds of problems we are talking about, because of the immediacy of the concern, but I think it is a province-wide concern.

**Mr Thompson:** Mr Chairman, if you want to hear more about that both Tim Casey and Sue Corke would have some comments, both from the current requests for and provision of non-profit housing and the advocacy activities that are going on there. By all means they are province-wide.

**The Chair:** I am sure they are.

**Mr Thompson:** Would you like to amplify with a comment?

**The Chair:** Do you wish to justify with statistics what I just said, please?

**Mr Casey:** I do not know about statistics, but I would say that when we do have the nonprofit groups coming in, whether it is for Homes Now or for the federal-provincial program, which is an annual program, the demand comes from throughout the province. I think the issue really is, as Mr Elliot noted, that the sheer volume of people in the GTA means that the problem is accentuated. But, for instance, there may be a small town in northern Ontario that just has no new housing being built by anyone, period, and the next person who moves up there who has not got the money to build a house has no place to live. It is just as much for that one family as it is for an equivalent family in Toronto.

So we have to make sure that the problem is addressed wherever it is. Our targets, both from the standpoint of a provincial unilateral program and our federal-provincial programs, do encompass that. We make sure that we try to address the geographic needs wherever they may be.

**Ms Corke:** Just to add to that I would say that sometimes it can be very difficult for smaller communities farther away from the high density that we are used to seeing in Toronto to accept willingly and readily nonprofit housing for zero to thirtieth percentile families. So there is often quite an extenuated battle that can go on in those communities, so it really becomes quite an issue to get even a small amount of affordable housing in.

**Mr Faubert:** I am interested in the land use planning in the third policy statement about intensification. I ask that specifically because I

wonder if you have any track record of success in this program. The reason I know that—without risk of becoming site-specific, Mr Chairman—is that in my city, in Scarborough, they cancelled the study on intensification because they assumed or presumed public opposition to something that was not even brought forward in the study.

Second, they even refused to endorse a housing advocacy group that just wanted to discuss housing and talk about it. They refused to endorse their statement or bring it forward. So I do not know what the reaction is across the province, but I would like to know if there are some success of that program.

**Mr Elliot:** I think Sue has some useful information for you in this regard.

**Ms Corke:** There are a couple of ways of looking at it. First of all, small-scale intensification and the issues that are involved in getting new housing from existing stock sometimes can be very volatile. It can be a very emotional discussion. In Scarborough, though, as you were saying, although there was a lot of difficulty over that particular report they are back on track. There has been a lot of talking and a lot of trying to explain and so on and so forth. So it is susceptible to a great deal of misunderstanding. It takes a lot of time to explain it, but it is a requirement now under the policy statement, and we are getting a great deal of co-operation with municipalities in that area.

**Mr Faubert:** Have you talked to the mayor lately?

**Ms Corke:** No. It was a couple of months ago. But one of indicators of increased success, actually, I think, is the convert-to-rent program, which goes about intensification through individual homeowners. The takeup in that program has been very good. I think we have done about 8,000 units, if my numbers are correct. Often one of the best ways to get intensification to happen is to have people wanting to do it and then the discussion can begin at the municipal level. We have a lot of study-support programs in municipalities to help them through, and it is a great deal better than it was three years ago.

**Mr Faubert:** Have you produced units that somebody can point to and say "This—

**Ms Corke:** "This doesn't hurt." The issue is property values. People think that is going to spoil the neighbourhood and have an impact on their property values, and we do have an empirical study that shows unequivocally that

this does not happen. Once you can have that debate it is easier.

**Mr McLean:** The 8,000 units that you indicated, is that last year?

**Ms Corke:** No, that is since the program began.

**Mr McLean:** Is that right?

**Ms Corke:** Yes.

**Mr McLean:** I thought there would be more than that, because it is a very successful program, and a good one. I thought there would be more.

**Ms Corke:** It has been a little difficult to do in some municipalities. It has not been legal. It has been hard to get it changed.

**The Chair:** I can tell you from experience that while there may not have been a study there are a number of nonprofit projects that have been built in Mississauga where the property values have done nothing but go straight up right across the road. In fact, the ratepayers used the meeting room in the building. So it works, once you get over that NIMBY fear. Thank you. Walter, did you have some wrapup comments?

**Mr Elliot:** I just wanted to publicly thank my colleagues from the ministry, because the notice of this meeting today came on fairly suddenly a few days ago for all of us. They very quickly tried to bring me up to speed in areas that we are addressing today, because I have been spending

most of my time on the anti-drug strategy and a few things that we have not talked about today. There were some gaps in information; it is a fairly large, complex ministry. I would like to thank you as a committee for asking us too, because my involvement sort of forced me to pay attention to some areas that I had not been as conversant with as I should have been, so they have done an extremely fine job and are a good bunch to work with.

**The Chair:** We agree, and we appreciate the presentation, both the written presentation and the time you have taken to answer our questions, and the time you have all taken out of your schedules to be here. Thanks for coming.

Just to inform members of the committee, originally tomorrow at 11:30 am we had a cancellation; we now have a fill-in. Is that correct? The Fair Rental Policy Organization of Ontario would like to come in, I guess, as a result of some of the presentations that it has seen, so there will be a group at 11:30. At 12 o'clock we will have lunch here and we will then discuss instructions to our researcher and hopefully be out of here by one or 1:30 and not have to return in the afternoon. Okay? We stand adjourned until 10:00 tomorrow morning.

The committee adjourned at 1605.



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## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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McCague, George R. (Simcoe West PC) for Mrs Cunningham

**Also taking part:**

Jackson, Cameron (Burlington South PC)

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Anderson, Anne, Research Officer, Legislative Research Service

Rampersad, David, Research Officer, Legislative Research Service

**Witnesses:**

**From the Centre for Independent Living in Toronto:**

Forster, Susan, Literacy Link Co-ordinator

Seiler, Scott, Peer Advocate Worker

**From the Ontario Public School Boards' Association:**

Lafarga, Ruth, President

Moss, Penny, Executive Director

**From the Ontario Cable Telecommunications Association:**

Weckers, Walter, President

Germain, Gaston, Chief Executive Officer, Northern Cable Holdings Ltd

Gubbels, Andy, Director, Northern Zone

**From the Federation of Metro Tenants' Association:**

Melling, Michael, Chairperson

**From the City of Toronto:**

Eggleton, Art, Mayor

Woods, John S., Director, Taxation and Water Review

**From the Ministry of Community and Social Services:**

Beer, Hon Charles, Minister of Community and Social Services (York North L)

Woollard, Mark, Manager, Policy Development Section

**From the Ministry of Housing:**

Elliot, R. Walter, Parliamentary Assistant to the Minister of Housing (Halton North L)

Casey, T. E., Assistant Deputy Minister, Social Housing, Glenn R., Deputy Minister

Corke, Sue, Director, Partnerships and Coalitions, Housing Advocacy Task Force

Sparling, Crom, Director, Housing Supply Policy Branch







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# Hansard

## Official Report of Debates

### Legislative Assembly of Ontario

**Standing Committee on Finance and Economic Affairs**  
Prebudget Consultation

**Second Session, 34th Parliament**  
Thursday 25 January 1990



Speaker: Honourable Hugh A. Edighoffer  
Clerk of the House: Claude L. DesRosiers

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 25 January 1990

The committee met at 1003 in room 228.

### PREBUDGET CONSULTATION (continued)

**The Chair:** Good morning, ladies and gentlemen. We have five deputations. Our first group is the Ontario Natural Gas Association and the lead presenter, who will introduce everyone, is Paul Pinnington, the president. Welcome, this morning, and thanks for coming. We have set aside about 30 minutes and would like to include your presentation and questions in that time.

#### ONTARIO NATURAL GAS ASSOCIATION

**Mr Pinnington:** As you have observed, my name is Paul Pinnington and I am the president of the Ontario Natural Gas Association. Accompanying me, to my right, is James R. Anderson, who is chairman of the association's finance and accounting committee; Mr Anderson is also the vice-president, finance for Union Gas Ltd in Chatham, Ontario. On my far left is Carl D'Croix, vice-president of administration for Cliffside Utility Contractors Ltd, and to my immediate left is Glen Waugh, vice-president of and comptroller for the Consumers' Gas Co Ltd.

We are pleased to be with you today; thank you for this opportunity which, incidentally, is our fourth appearance before this committee. On behalf of the members of the association, we have prepared a brief entitled Policies to Strengthen the Ontario Economy, 1990, and Mr Anderson in turn has prepared a summary of that brief that he will take us through. Copies of the brief and Mr Anderson's summary remarks have been provided to committee members.

With your concurrence, I would propose that my colleagues and I respond to questions at the completion of Mr Anderson's presentation. The brief, along with Mr Anderson's comments, has been provided to the clerk and a representative of Hansard. Additional copies have been made available to interested parties. With your permission, I would ask Mr Anderson to proceed.

**Mr Anderson:** I realize I am partially hidden here by the paraphernalia in front of me. I apologize for that. If anyone wants to see me, I will look around as we go through the presentation.

We are pleased to have this opportunity to appear before you today. The Ontario Natural Gas Association, or ONGA, as we are known, takes a keen interest in the province's economic and fiscal affairs. As a major business organization we take seriously our democratic responsibility to provide constructive advice on the economy and finances to the Legislature and the government.

We believe that what we have to say is important. Our unique perspective is energy and in particular, natural gas. However, we share with other Ontarians concerns about the economy, the budget, taxation and the environment, and so we also address these issues in our submission. This represents the fourth submission we have made to this committee, as Mr Pinnington has already made you aware. As you may be aware, ONGA has over 300 company and individual members representing all aspects of the natural gas industry, natural gas producers, shippers, distributors, equipment manufacturers, suppliers and others who serve the province's energy needs.

The committee will recall that Ontario uses more than one third of all the energy used in Canada; the natural gas industry fills one third of the province's total energy needs. Natural gas provides more than one half of the energy used in Ontario's homes and commercial buildings, almost 40 per cent of the energy consumed by the province's industries, and makes a significant contribution to the energy needs of agriculture and transportation.

We have an estimated \$6 billion invested in facilities in Ontario and provide employment for more than 7,400 persons in jobs which are dispersed geographically and are largely non-cyclical. This slide shows some other statistics related to operating revenues, purchases, wages and salaries in the province and of course taxes paid in the province. With this brief introduction we would now like to present the highlights of our submission in the following sequence: economic prospects and challenges; fiscal realities and needs; and sustainable development.

Starting first with economic prospects and challenges, there are risks that the growth in the provincial real economic output will be below the forecast of the Treasurer (Mr R. F. Nixon), of



two per cent in 1990 and an annual average of three per cent over the next three years. The Treasurer's medium-term inflation forecast of 6.3 per cent per annum leaves no room for lower interest rates, and there is concern that an economic recession is on the horizon.

A tightening of Canadian fiscal policy would permit some easing of interest rates. A concerted effort is needed to bring down the rate of increase in total government spending. To accomplish this will require trilevel intergovernmental co-operation of a high order. Stubborn inflation and low productivity are two of the most serious obstacles to Ontario's future prosperity. Fortunately, a rise in the savings rate is expected in the 1990s and this will increase the availability of funds for private sector investment.

Increased investment would boost productivity and thus make a vital contribution to future economic growth and stability. Lower interest rates would reduce the cost of investment capital. However, unless the public sector becomes more efficient and curbs its appetite for economic resources, the scope for lower interest rates and increased private sector investment will be reduced, inflation will be higher than warranted and Ontario's economic potential will be lower than it should be. To reduce inflation and encourage productivity, ONGA recommends that the rate of increase in total public sector spending in Ontario and Canada be reduced substantially in the 1990s in comparison to the 1980s.

#### 1010

The federal government and provinces have introduced innovative measures to increase research and development, and more are planned. ONGA applauds these initiatives but believes they should be better co-ordinated as part of a national strategy. ONGA recommends that Ontario call for the development of a national research and development strategy, to provide a strong framework for effective harnessing and co-ordination of federal and provincial efforts.

Turning now to fiscal realities and needs, the provincial budget deficit has been reduced markedly over the past five years. However, this reduction has been accomplished wholly on the backs of the taxpayers. The cumulative effect of the tax increases introduced during the 1980s produces budgetary revenues in the current fiscal year \$7 billion higher than they would have been without the tax increases. These discretionary tax hikes have generated almost one fifth of all the growth and budgetary revenues since 1980.

Without the tax increases, the budgetary deficit today would be \$7 to \$8 billion.

Budgetary spending has increased at an average rate of 10.4 per cent per annum since 1980, outpacing economic growth. Spending on health care and income security over the decade has clipped along at a rate of 15 per cent per annum approximately, 50 per cent faster than the rate at which the economy has expanded. Municipal spending in Ontario is also on an upward trend with the increase in 1989 at 15.5 per cent. For municipalities within regions, the spending increase in 1989 is a startling 18.7 per cent. Double-digit percentage increases in provincial and municipal spending are clearly inflationary and pose a growing threat to economic stability.

The Treasurer's fiscal projections show that, assuming no policy changes, the budget deficit would resume a rising trend reaching \$2.4 billion in three years' time; that is scenario 1 on this chart. Economic growth that is lower, or budgetary spending growth that is higher than assumed by the Treasurer in his projections would produce much higher deficits.

ONGA estimates, for example, that if budgetary revenues were to grow just one percentage point per annum more slowly over the next two years than the Treasurer assumes, and spending grew at the average annual rate recorded in the 1980s, the deficit would increase to \$5.9 billion in three years' time; that is scenario 3 on this chart. In five years the deficit could soar to over \$10 billion, wiping out all past gains in deficit reduction.

Scenarios 2 and 4 on this chart are projections based on varying assumptions which are explained in our submission. Time does not permit us to review them here today, but we encourage you to read this area of our submission. Our assumptions are intended to provide a range and to demonstrate the sensitivity of revenues and expenditures on the deficit.

Such projections are not targets; however, they indicate that strong action will be required to prevent higher deficits. In ONGA's opinion, it would be a serious error to impose more tax increases in the 1990s on top of the massive cumulative effect of tax hikes of the 1980s. An intensive review of public sector spending in Ontario is clearly warranted. The provincial government's spending per capita is already well on the way to becoming the highest of all the provinces, and Ontario faces the need for new investment in transportation systems and in environmental matters.

ONGA recommends that the Treasurer trim spending to balance the budgetary deficit in the 1990 budget. There should be no net tax increases. Spending rates should then be brought into line with revenue growth based on existing revenue policy, so that in the future budgets can be balanced over the business cycle. Combined provincial-local spending trend growth rates must be held to lower than the trend rate in the growth in the economy. ONGA recommends that the standing committee advise the Treasurer of the serious risk that the budget deficit could soar to new record highs over the medium term in a no-policy-change environment.

Turning now to taxation, it appears that the federal goods and services tax is to be implemented 1 January 1991. Ontarians will be burdened with both a federal GST and provincial retail sales taxes. The resulting duplication of taxation activities is undesirable and will be unnecessarily complex and costly. ONGA encourages the government of Ontario to work with the federal government to minimize the complexity and cost of sales tax administration and collection. We also recommend that this be a first step towards a single, uniform national and cost-effective federal-provincial sales tax system.

Going to another topic, the government is now in a position where its nonbudgetary sources of funds exceed the budgetary deficit and there is a net cash surplus of funds, and thus no need for borrowing either from the public sector pension funds or the public capital markets. The major captive funds, the teachers' superannuation fund and the public service superannuation fund, will be permitted to invest future net cash flows in the capital markets.

ONGA commends the Treasurer for his approach to dealing with the financing and investment of Ontario's public sector pension funds. It is appropriate that any debt funds the province requires should be raised in the public markets.

With respect to surplus Canada pension funds, ONGA is concerned that the government has not enunciated a clear strategy for the use of these investable funds.

Turning now to the area of sustainable development, prospects for future economic development are clouded by worldwide concerns over the rapid growth in global population, the greenhouse effect and a range of other serious environmental challenges in the air, on land and in the oceans and fresh waters. Future economic growth must take place in the context of

sustainable development in which consumers, producers and governments in all nations recognize their collective responsibility for stewardship of the planet.

The challenge of sustainable growth creates opportunities for Ontario. New technologies, products, services and industries will be needed to serve the growing needs in the domestic and export markets. The task for public policy is to foster, in so far as possible, public policy in business environments that favour initiative and innovation.

ONGA recommends that the government of Ontario adopt a positive attitude towards the challenges of sustainable growth; implement public policies and foster a business environment conducive to environmental research and problem-solving; and encourage the development of new technologies, products, services and industries to serve environmental and related needs in domestic and export markets.

Energy consumption is both a contributor to the environmental problem and part of its solution, through more efficient use of energy. Ways must be found to make energy use more efficient in Canada and Ontario, where energy use per capita is very high by world standards. ONGA is committed to promoting more efficient use of natural gas.

Over the past decade basic research, the development and application of new technologies and co-operative efforts with consumers and governments to reduce natural gas use have successfully conserved this resource. Our written submission, at page 47, indicates the industry's track record in this area over the long term, and we refer you to that information.

Opportunities exist to continue to make further gains in energy efficiency and conservation in reducing the negative environmental effects of burning fossil fuels by substitution of relatively clean-burning natural gas for other fossil fuels.

In the natural gas area, the generation of electricity by the private sector, which is called parallel generation, using, in some cases, natural gas-fired cogeneration and combined cycle technologies, is much more energy efficiency than generation in Ontario Hydro's coal-fired central plants, and natural gas is much less polluting than coal.

Parallel generation has the potential to defer for a considerable period of time the need for new nuclear or coal-fired generation facilities. In transportation, natural gas vehicles are an alternative to gasoline- and diesel-powered vehicles. Moreover, research and development in fields

such as the smart house, furnace combustion conditions and new materials also offer potential for conservation of natural gas. These relatively less polluting and energy-efficient natural gas energy options are worthy of continued public support.

ONGA recommends that the standing committee support energy policies and energy supply-demand options which increase energy efficiency, encourage the conservation of energy and are less polluting.

The future of parallel generation in Ontario is at a watershed. The government wants the industry to develop and has set specific megawatt targets for the industry and Ontario Hydro to aim for. Ontario Hydro has included parallel generation as a priority supply option in its preferred plan. There is considerable private sector commitment to building this industry and providing the electric power that Ontario will need.

### 1020

Unfortunately, lower-than-warranted buyback rates reflecting avoided costs that are too low are preventing the development of a viable, nonutility generation industry. ONGA recommends that the question of avoided costs and buyback rates be addressed as a priority in the planned review of Hydro's demand-supply plan by the Environmental Assessment Board. Fair buyback rates must be set in 1990 to enable the industry to begin to build the generating capacity that will soon be required.

ONGA also recommends that the existing incentives for the market development of natural gas for vehicles be maintained.

In conclusion, and to summarize, our brief suggests the Treasurer's medium-term economic forecast may be too optimistic, and there is a risk that the transition to slower growth, which is currently under way, could turn into a recession. Inflation and productivity are two areas which merit priority attention. Inflation must be controlled and productivity raised if Ontario is to remain internationally competitive.

Slower economic growth will impact on the province's finances. The Treasurer projects deficits increasing to \$2.4 billion in three years under a no-policy-change assumption. ONGA has produced more alarming projections using different yet plausible assumptions that indicate the budget deficit could soar to over \$10 billion in just five years.

We argue that while massive tax increases during the 1980s provided the resources to fund big increases in spending and bring down the budget deficit, the scope for tax increases in the

1990s will be very limited. In our opinion, big future budget deficits can be avoided only by vigorous spending restraint.

Concern for the environment, in the context of sustainable development, will be a dominant theme in the 1990s. Energy efficiency has been improved over the past decade, but further gains are needed. Natural gas and natural gas technologies offer great potential for future increases in energy efficiency, in NGV and in electricity generation.

Our brief underscores the importance of government support to NGV and natural gas use in electricity generation. Our brief notes that an environmental protection industry of substantial size has emerged in Ontario. This industry has great potential in both domestic and export markets and merits supportive public policies.

This concludes our presentation. We commend our written brief to your reading and we are prepared to respond to any questions you may have. Thank you for allowing us to appear here today.

**Mr Cleary:** Gentlemen, I would like to thank you for your extensive brief. I think I know what you are going to say, but I want to hear you say more about it. It says, "ONGA encourages the government of Ontario to work with the federal government to minimize the complexity and cost of sales tax administration and collection." I would just like you to explain a little more what you had in mind.

**Mr Anderson:** I guess the basic concern we have is the fact that we will have two systems in place side by side. This not only is an inefficient way of collecting sales taxes in the country, but it will be costly and very complicated for businesses to understand and comply with the rules. We think there is room for one system that will be economical and more easily understood by business and the potential for two systems running parallel.

**Mr McLean:** You indicate that the budget deficit could go to over \$10 billion in five years. The deficit of the province now is over \$40 billion. Are you indicating here that that would be the deficit per year on their annual budget?

**Mr Anderson:** Yes. Those numbers are annual deficit numbers, not the total accumulated debt of the province. What we are saying is, currently the deficit is in the area of \$2 billion, something of that sort, perhaps a little bit less. We are saying that could grow to \$10 billion on an annual basis under certain plausible assumptions; we are not saying it will be there, but the potential is there for it to happen. The govern-



ment needs to be aware that that potential is there and take action to ensure that that does not happen.

**Mr Daigeler:** Thank you for very comprehensive comments that relate not just to your own industry, but to the fate of the province at large; I think I appreciate that. In particular I refer to your comment on page 10 which says that "Big future budget deficits can be avoided only by vigorous spending restraint."

We have had a number of people making similar points and some of us have asked, "If that's the case, what area of spending restraint would you be willing to support, or do you have any thoughts as to where we either should hold the line or possibly cut back?" Some other people said: "Well, that's the Treasurer's (Mr R. F. Nixon) Black Peter. Do you have any specific suggestions with respect to that?"

**Mr Pinnington:** We did anticipate this question, in fact, and indeed fielded the same question in this same room last year, only the group that immediately preceded us was a welfare-oriented group; there was a very lovely young lady who had just been beaten up on an elevator and then we came in and said, "Reduce spending." The question to us was, "How can you reduce spending for defenceless people?" We recognize that this is an extremely difficult problem. It is very, very difficult to tell that elderly lady that she cannot have protection in her apartment. So we do realize that there are areas where spending must continue. We have even suggested in our brief that additional funds are going to have to be available for research and development if we are going to in fact improve our lot in terms of productivity and competitiveness.

I think the consensus of our group was that what we will probably have to have is a mechanism not dissimilar to the Gramm-Rudman type of situation: If you cannot reach consensus, if you think it is unlikely that you will, that you have an obligatory process such as the Gramm-Rudman process, which inflicts on everyone a measure of reduction of expenditures. My understanding of what is happening now in the United States—of course that process is in place and it is operative—is, then there is an attempt to trade off between the various groups. They all must take a cutback, but then in reality one group will say: "I can afford to cut back a little more. Another group might be the beneficiary of that." We think that there may well have to be an arbitrary process because we recognize consensus is very difficult to come by.

**Mr Daigeler:** Just a question for clarification: Perhaps I ought to know this, but I am not familiar with this formula or with Gramm-Rudman.

**Mr Pinnington:** That is a formula that has been debated in the US system now for I guess four or five years. It is now in place and it is a mechanical formula that inflicts a reduction across the board just by an equation. It is a very arbitrary process, but what happens is, you establish that you can only have a certain level of deficit or a certain level of spending. That is one side of the equation. The other side of the equation is, how much does everybody have to cut back to get there? It is a very arbitrary, very mechanical process, but it does seem to be assisting the US system in reducing its deficit.

**Mr Anderson:** The point of that analogy really is that the expenditure cuts need to be across the spectrum. I do not think anybody can really identify specific areas where you can get deep cuts, total programs to be cut back. But there needs to be some restraint right across the system, and perhaps setting targets along those lines, Mr Pinnington indicated, is one way of achieving that, but it has really got to be right across the spectrum.

**Mr Morin-Strom:** I guess we could debate the Gramm-Rudman program in the US. Certainly almost everything I have seen written about it is that it has been an utter failure in the US and has not worked the way it was planned to work. The congressmen there are finding every way under the sun to avoid having to live by it and in effect it has caused turmoil in terms of the budgeting process in the United States.

Here in Ontario, if we want to talk about deficits and debts, what we have to talk about is Ontario Hydro. Seeing you are from the energy field, I am surprised you have not slammed Ontario Hydro in terms of the level of its debt and its plan for massive new spending and debt accumulation over the next 25 years. I wonder if you could comment on Ontario Hydro, which in fact is about 50 per cent of the total debt obligations of the province.

**Mr Pinnington:** We thought you might enjoy a little relief from the last three presentations that we made which were along those lines. We share your concern for the fact that Ontario Hydro's debt is in the order, I guess, of some \$40 billion with the addition of Darlington. We are shattered by the prospect of another \$75 billion for additional facilities in their 25-year plan, and some are suggesting that double that is probably closer to reality. I think there is no question in our

minds that higher prices for electricity are going to be required in this province, and I think that is probably another very serious consideration that the Treasurer of this province should entertain.

**Mr Anderson:** If I could just address the first part of the gentleman's comments with regard to Gramm-Rudman. I think there are a lot of flaws in Gramm-Rudman; I do not think we are advocating that kind of system here. One of the flaws is the fact that it is a very arbitrary process, if you get down to that, and if you can avoid that arbitrary process, that is the way to do that. I think we are advocating something that avoids that arbitrary process: consensus, if that is possible.

1030

**The Chair:** We have tried to do that around here too, but it is not always possible.

**Mr Reycraft:** On page 6 of the presentation that you made to us this morning you refer to nonbudgetary sources of funds exceeding the budgetary deficit. Can you expand on what you mean by "nonbudgetary sources of funds"?

**Mr Anderson:** This is the area of pensions, money coming into the province through the pension plans, specifically the teachers' superannuation fund and the public service superannuation fund and through the province's share of CPP funds. They are all part of the financing, or have been part of the financing of the province.

What we are saying here, I guess, is that the funding requirements in the last year did not require the province to go out to the public markets to borrow funds. On a cash-requirements basis, the amount of cash it needed—it had all the cash it needed; it actually had a small surplus, which is something we had recommended that the Treasury do last year, as a point of interest—so it did not need to go to the public markets, and those funds had been used as part of the financing for the government and are now being used to invest in the public markets; they are going to be used to invest in the public markets.

**Mr Reycraft:** Could you expand a bit on the need as you see it for a clear strategy for the use of surplus CPP funds that are made available to the province? You make the point on page 7 that you are concerned that there has not been a clear strategy enunciated. Could you expand on why there is the need for a clear strategy?

**Mr Anderson:** I think as taxpayers we are just sort of curious and interested in knowing how these funds are going to be used and how they are going to be invested. The point is that up to this

point in time, or up to recent times, they have been used in part to fund the government's deficit on an annual basis. That is not necessary. It was not necessary last year; it likely will not be necessary in the coming year. What is the government going to do with those funds? How is it going to invest those funds? What is the strategy? The point really is only that the government has not told us what the strategy is. We have no criticism other than that we would like to know what the strategy is.

**Mr Reycraft:** Do you have any advice for us on how the government should plan to use those funds?

**Mr Anderson:** Investing in the public markets might be one alternative, but using them within the federal system might be another. I mean, there are a number of alternatives today. I do not have advice for you on that.

**Ms Hošek:** I am interested in your interest in parallel generation and the whole question of buyback costs. I am simply assuming from your report that you have more detail on that, and might in fact be appearing in front of the committee that is looking at the whole supply projections that Hydro is going to do. Am I right in assuming that you are going to be doing that?

**Mr Pinnington:** Yes, we do plan to participate in that hearing.

**The Chair:** Thank you very much, gentlemen, for your presentation. It is quite extensive and it will be very helpful to us when we get down to our report-writing.

Our next group of presenters is the Durham Board of Education. We have Ian Brown, the chair; and Heather Beveridge, chair of the finance committee. We will just allow a moment for the transition to take place.

Welcome, and thank you for coming this morning. We had set aside about 20 minutes, but we have a little bit of flexibility on that to include your presentation and questions back from committee members; if you could begin for Hansard by introducing yourself and begin whenever you are ready.

#### DURHAM BOARD OF EDUCATION

**Mr Brown:** I am Ian Brown, chairperson of the Durham Board of Education. With me is Heather Beveridge, chairperson of the finance committee, a trustee from Uxbridge. I am also a trustee from Whitby. Thank you for hearing us this morning. We are grateful for the opportunity to appear before you and express our concerns about provincial funding for public education in

general, and the Durham Board of Education in particular.

Durham is the seventh largest school board in Ontario. It borders Metropolitan Toronto at Pickering and extends east along Lake Ontario to and including Oshawa. The northernmost boundary of our region rests at Lake Simcoe, and this makes the region one with both urban and rural concerns. We are growing by approximately 1,500 students and 40 portables a year. Currently we govern 102 schools, including 410 portables.

As we deliberate over our own budget decisions, we believe that we may well be looking at a double-digit increase to the mill rate again this year. Once again we are faced with an increasing local share covering a number of areas over which we feel we are gradually losing control.

Let's look first at operating grants. On 29 November 1989 the news release from the school business and finance branch indicated an 8.7 per cent increase in operating grants to school boards. While we are most appreciative that there is an increase from the 5.3 per cent grant on operating expenditures which made up 86 per cent of the Durham board's budget in 1989, we are worried that it may be eroded by provincial initiatives and enrolment increases, our own rapid growth because of migration into our region, plus enrolment because of junior kindergarten and senior kindergarten initiatives of this government. In fact, we are concerned that it may end up in the same way that the 6.1 per cent increase of 1989 did; that is, with a net loss of 2.3 per cent on the ordinary operating expenditures on a per-pupil basis.

Let me elaborate a little on that point. Despite the 5.3 per cent increase in the 1989 operating grants, the same per-pupil grant for recognized ordinary expenditures on elementary expenditures rose to \$1,758.48, an increase of \$33.76 per pupil, or in fact two per cent. The secondary grant, however, dropped to \$1,746.43, a decrease of \$181.85, or 9.4 per cent. So in total the Durham Board of Education received a 2.3 per cent decrease per pupil in its recognized ordinary expenditure grants from the announced 5.3 per cent increase from the province. This is explained further in appendix 1.

If we receive such support again this year with the announced 8.7 per cent grant, local property owners will again face large increases in their taxes. It is clear to us that the per-pupil ceilings need to be increased to a level which more accurately reflects the actual costs of educating students today. Trustees are concerned with the

misperception that the province's share of the approved costs of education are increasing. The Macdonald Commission on the Financing of Elementary and Secondary Education in Ontario recommended in 1985 that the government of Ontario affirm its financial commitment towards the funding of education and that it move towards contributing 60 per cent of the approved costs, as was the case in 1975. Prior to his election, Premier Peterson promised to do just that.

The issue here is that provincial expenditures not previously counted among approved costs are now being included, and the actual day-to-day operating grants per pupil are in fact decreasing overall. Now included in the Ministry of Education definition of "approved costs" for grant purposes are capital construction costs, superannuation payments and the new employer health tax. We emphasize that the operating costs account for 86 per cent of our expenditures in Durham, and these grants, in fact, decreased on a per-pupil basis by 2.3 per cent from 1988 to 1989.

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Let's look at some of the provincial initiatives. The Durham Board of Education is well known for its lean and mean attitude towards spending and indeed is among the lowest five county boards of education in expenditure levels. We are very accountable to our publics, yet we feel we are losing fiscal control as a direct result of Ontario government initiatives and mandates.

For example, the employer health tax will add \$2.5 million to the board's expenditures in 1990; pay equity legislation is anticipated to cost us approximately \$2 million in 1990, and it does not include the recent decision announced yesterday on the Wentworth-Perth issue; compliance with changes in the Ontario fire marshal and Ontario Building Code requirements—health and safety compliance, for example, the workplace hazardous materials information system legislation, equalized assessment, market value, increased sales tax, all result in increased local expenditures; similarly, the costs of Ministry of Education-mandated programs including new curricula, OAC textbooks, primary class size guidelines, junior and senior kindergarten, day care, heritage language programs, catheterization of students and so on are borne in large measure by local ratepayers. We support the recommendation of the select committee on education financing that a more progressive tax base for education be explored.

These initiatives all have additional costs for local boards of education that were not included



in provincial incentive grants. Using the class-size initiative as an example, a grant of \$1.4 million will cover the costs of salaries and benefits for additional teachers, but for every teacher required in Durham another portable classroom is needed, and no provincial grants are forthcoming to cover these costs.

**Capital funding:** The Ministry of Education's new approach to capital funding has enhanced the Durham board's long-term planning ability, but in using the recent long-range forecast as an example, it is noted that the capital grants will, for the period of 1989-92, be \$1.2 billion. Durham alone during that time period required \$316 million, or approximately one year's total provincial allocation. Imagine, if you will, adding on high-growth areas such as York region and Peel, and the dollars are eaten up very quickly.

The government is no further ahead in trying to spread the dollars across the province to every school board. In the short term, the process of funding capital expenditures is costing taxpayers additional dollars through bridge financing and a significantly increased local share. We find the Ministry of Education's approach to capital funding helpful in the sense that it has enhanced long-range planning. However, the \$300 million allocated in each year is woefully inadequate and needs to be increased significantly.

The Durham Board of Education's capital expenditure forecast projects the need of \$323.8 million over the next five years, and we are not the fastest-growing region in the province. We support the recommendation of the select committee on education, which calls for a review by trustee associations of policies and practices, with a view to developing a rational means of updating cost calculations for capital expenditures, including renovations. We support, too, changes in legislation which would require developers to dedicate land for school board purposes.

**Local ratepayers' tax burden:** In looking at appendix 2 on enrolment trends, we note that the enrolment from 1979-89 has dropped across the province, school board expenditures have increased by \$5,741 million during the same time period and property tax increases have gone from \$366 per household to \$767.28 per household, an increase of over 100 per cent in that time period.

Senior citizens have just cause to complain. Although they receive a rebate on property tax, it has never matched inflation or the consumer price index since it was introduced. We appeal to you, therefore, on behalf of the senior citizens in

Durham region, to review the matter of a seniors' rebate and make appropriate adjustments.

We fully appreciate the competing demands for scarce dollars, but we urge you to ensure that education remains a top priority for this government. Money spent in education, more than in any other area, will save dollars in all areas by producing more competitive, more efficient, mentally healthy, active participants in a future world. The Durham board mission statement "Quality Education Today-For Tomorrow" means exactly that; education must be funded today if it is to solve tomorrow's problems and set realistic goals and expectations for the future.

**Mr McCague:** What is your percentage growth per year? You said 1,500.

**Mr Brown:** It is 1,500 on a base of about 54,000 right now.

**Mr McCague:** What does that work out to? Quick.

**The Chair:** Between two and three per cent?

**Mr Brown:** Three per cent.

**Mr Reycraft:** When the Ontario Secondary School Teachers' Federation appeared before the committee earlier, it supported the position that Ontario is spending less on the education of its students than were most of its neighbours. The question I want to ask deals with the total funding of education in this province. I would like to know whether or not your board feels that the total funding is at least adequate and that the problem is just in the balance between local share and provincial share. Or do you agree with OSSTF that we are underfunding education generally in Ontario?

**The Chair:** For the record, I think—

**Mr Reycraft:** You were going to challenge?

**The Chair:** No, I was informed that you were absolutely correct, and I just wanted to show that the record did agree with you.

**Mr Reycraft:** It is called a U-turn.

**Mr Brown:** Yes, we would agree with OSSTF's position that Ontario is low relative to some of the other provinces in the country in terms of overall expenditures. We are concerned about the division between the provincial share and the local share and see that over the last number of years the local share has increased significantly. Part of the difficulty is with the division of the allocation, which I alluded to earlier, in that the major proportion of our expenditures is in category-1 funding, which is the ordinary operating grants.

There are six categories of funding which the province detailed for us last year, five of which have very little impact on our board, special grants for small boards, for example, or for francophone education, but the major portion of our expenditures are in the day-to-day operating grants, and those in fact decreased. So I think there are two adjustments that need to be made. One is in the overall contribution of the province relative to what local ratepayers are paying, and also an adjustment in terms of how the provincial grants are forthcoming to the local boards.

**Mr Reycraft:** The OSSTF also indicated that it believed the province had the fiscal capacity to increase its spending on education. When I questioned them about that, they indicated that we should increase the deficit to increase our total support for education. That is generally contrary to what this committee has heard during this round of hearings. It seems to me that there is near-consensus on the fact that we should attempt to avoid increasing the annual deficit. I was also surprised to hear it because, not long ago, they were quoting public opinion polls that showed the taxpayers would support increased taxation if it was to assist education. Do you have any advice to give us on what we should recommend to the Treasurer as to where he should find the additional moneys to increase support for education?

**Mr Brown:** Well, I am a fiscal conservative, which I guess is different from a Progressive Conservative.

**Mr Reycraft:** Whatever that is.

**Mr Brown:** I would not support increasing the deficit; I would support cutting expenditures. I think one of the areas that needs to be addressed is the whole area of health care, and I think that is the greatest competitor for dollars that education has in this province. I think the approach taken to funding of health care costs needs to be examined and addressed in such a way that expenditures can be cut in that area.

In terms of what we are doing in education, I think there is a fair amount of duplication within the government, because a child seems to be divided up into many different portions. They are saying a child is 40 per cent education, 15 per cent health, six per cent Ministry of Community and Social Services and 12 per cent criminal justice system and children do not come that way. I guess I would like to see the government propose a sort of super ministry of children at some point which would look after the needs of children in one sort of major way.

What happens now in education is that some of the responsibilities that were the province of other ministries have shifted over the education. But the financial support has not been forthcoming to support those additional services, and so education is picking up a greater number of responsibilities, which we are able to do; but on the other hand, we need to be funded in order to do that properly.

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**Mr Daigeler:** In your brief you make reference yourself to the fact that enrolment from 1979 to 1989 has dropped, that school board expenditures have increased by something close to \$6 billion. Obviously we have a discrepancy here. Should one not be able to assume that, with a declining enrolment, we should see at least a stabilization of costs? It is perhaps there where the root of the problem is, that we have maintained the same number of staff, teachers and support staff, to serve a declining number of students.

**Mr Brown:** I think it is the case that enrolment did decline for a number of years. I think in 1988 or 1989 it finally levelled off and in fact they are showing some increase now. That is on a province-wide basis. With the five major growth areas, though, that has not been the case at all. Places like Durham, York, Ottawa-Carleton, Peel and Halton have shown a significant increase in enrolment every year.

The difficulty, I think, is that the per-student ceilings which are allocated to fund education have not increased at a significant enough rate to compensate for the expenditures which school boards are having to pay out. Teachers' salaries have increased, I do not know by what percentage, over the last decade, but that is obviously a major part of the expenditures that we face. I do not think it is possible to expect education expenditures to go down if the enrolment goes down because, if the enrolment in a classroom, for example, drops by two students, you still have a teacher in that class who has to be paid. If it drops by five or six students you still have a teacher, so by shrinking enrolment you do not necessarily shrink costs.

**Mr Cleary:** I guess that you had touched on the health care costs, but I would like you to explain that a bit further, where you see a duplication of services or where money could be saved.

**Mr Brown:** Again, I guess this is more of a personal philosophical approach rather than a Durham board philosophy. My sense is that

people should assume greater responsibility for their own welfare and their own health care. I think the emphasis should be put on preventive care rather than on what we are doing now in terms of trying to address all needs.

For example, I would not be averse to the idea of a small amount being paid on each visit to a doctor's office, to address the OHIP concerns, for example. I do not think people have any idea of how much a visit to the doctor costs. Even if they were made aware of those facts, it may have an impact in terms of how they address their own health care needs.

**The Chair:** Thank you for taking the time to come and present us with your brief. We appreciate it. We have had a number of presentations from people involved in education and there are certainly some common messages and themes that have come before the committee. We will take that into account when we write our report.

**Mr Brown:** Thank you for your time.

**The Chair:** The next presenters are the McMaster Students Union. We have Bryan Leblanc, researcher, and Stephen Longo, the president. Welcome this morning. Please come forward. We have 20 minutes, with a little bit of flexibility this morning for your presentation and for questions back, and members have a copy of the brief that you have supplied. If you would begin whenever you are ready by introducing yourselves for the purposes of Hansard.

#### McMASTER STUDENTS UNION

**Mr Longo:** My name is Stephen Longo. I am president of the McMaster Students Union. With me is Bryan Leblanc, who is the researcher. I would like to thank the committee for providing us with the opportunity to come out today and provide a few remarks about the post-secondary education system in the province and also to table our report with you.

I am going to begin essentially by making some general comments. I do not want to be too statistical. There are statistics in the report and I am quite aware that members of the committee are quite familiar with the statistics and the numbers pertaining to post-secondary education, but I wanted to make some observations as to the rationale behind our report, why we feel the way we do and why we feel that students and educators in this province share our viewpoints and our opinions.

The McMaster Students Union is the undergraduate student government organization at McMaster University. It represents about 11,000

undergraduate students at that institution. Like most student associations in the province, it has sort of a twin mandate, representation and provision of services. In other words, we both represent students on a range of issues—and our work on the representation front this year has run the range from the goods and services tax and the recent announcement that the Canada employment centre is closing, to this particular brief—and we also provide a range of services, including an ombudsman, who provides legal advice to the McMaster community, a sexual education centre, a radio station, a grocery store, two licensed facilities and the range goes on. So that is a bit about the McMaster Students Union, or MSU, as it is known.

I must say that I am a little hesitant to use the term but, to a large extent, as I know you are quite aware, the central problem with the post-secondary funding is one of underfunding. I am hesitant to use the term "underfunding," because the term has almost become a cliché and educators and student leaders are very afraid to go before committees such as this and sort of cry the clarion call of underfunding, because we are well aware that leaders like yourselves have heard the term many, many times; but nevertheless, it is still the problem, there are a number of approaches that can be taken to deal with it and that is what we are trying to get at today.

The university system is in grave trouble. It is not even a question of problems any more, but I really feel, and our student association feels, that if things continue as they are at the present, in just a few years' time you are going to have a crisis in Ontario's universities. The concern we have is that if measures are not taken soon to deal with the situation, I think essentially we will have put ourselves into a pit from which it may be impossible to emerge and then some drastic choices are going to have to be made, choices that I do not think anyone really wants to have to make.

There are a number of symptoms of this problem, and again, I know you are well aware of them—the teacher-student ratio, the ageing professoriate and the need to attract new teachers, overcrowding, the deterioration of physical facilities, lack of equipment, course availability; those are some of the symptoms. The list goes on.

We have heard the Premier and the Prime Minister, for that matter, say on many occasions that they believe in the post-secondary system, they believe in its importance and they believe the university sector can act as a necessary agent



in the transition to the so-called information age, and that the universities have an important role to play in the training of the future workforce, the training of youth.

Unfortunately it often seems as if reality does not bear out those words and those sentiments, and that is one concern we certainly have. If universities are these vital agents of change in society, it does not seem as if they have been given the accordingly practical treatment to that end.

In the last provincial budget there were no real initiatives announced for the university sector and that was something that concerned members of the post-secondary community. Students are becoming increasingly frustrated with the situation, underfunding and other relevant factors, such as the GST and the effect of the recent Canada student loan fee surcharge.

The Treasurer of Ontario, of course, has recently announced the eight per cent operating grant increase for universities, but the problem with this is that in reality, it represent only a 2.2 to 3.5 per cent increase in operating grants or budgets for the universities, because the other amount of that percentage is reflected in specific transitional funds to universities—language, accessibility and so on. Of course these specific allocations are welcome and necessary, but the problem is that a misleading picture is presented to the public and community as to how the operating grants of universities are being funded. The simple fact is that operating grants have not kept pace with inflation or have not even come very close to doing so, and this is the fundamental problem with the university funding. We would need 11 per cent operating grants to maintain merely the status quo within the university system.

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Just to give you an example of the situation, after this operating grant was announced, the vice-president of administration at McMaster told the executive of the students' union that the university could really wait no longer for some proud day when the university picture was going to change and that it was going to have to begin the process of rationalization. This meant they were going to have to determine which academic services and nonacademic services, such as placement centres and counselling services, were simply going to have to be eliminated because the university no longer had the funds to continue them. That is a scary prospect and I think it is a prospect that is a province-wide phenomenon.

If universities were to receive the same percentage of the provincial budget that they did in 1977 and 1978, they would not be getting the \$1.8 billion that they are getting in total, but they would be getting some \$2.3 billion, some \$500 million dollars more. That is a very interesting statistic and I think it speaks volumes to one of the fundamental problems with the post-secondary sector. Of course, as you know, in terms of per capita grants Ontario ranks ninth out of tenth in the provinces at \$135.25, compared to first-place Alberta at approximately \$184 dollars per student. We think the province must take steps to counteract such negative impacts on students as the GST with its tax on textbooks, the employment health levy and the recently announced fee on the Canada student loan system.

In wrapping up, I think that there are then two fundamental areas where the government can take action. The first is the change to the operating grant system and elimination of the current system; and a use of more specifically targeted funds, the development of specific funds like research funds, library funds, instructional funds, facilities funds and so on, that specifically target areas in need of attention. Of course the operating grant system must keep pace with inflation in order to correct the years of neglect that universities have succumbed to.

There is another factor that is perhaps even more important, and that is a dialogue on the future of the university system. There are many proposals floating around right now as to what should be done with universities. There is Queen's University's Blueprint for Action, which focused on tuition and funding; there is also, of course, George Connell's discussion of specialization for the universities. These proposals are flying around, it is my belief, largely because there is no provincial strategy for the post-secondary sector and because there is a high degree of uncertainty as to what the future holds for our universities. We firmly believe that the time has come for a dialogue to begin that encompasses government, business, students, academics, the entire range of the community, to start setting goals and priorities for the post-secondary system.

It seems to me that there really has not been this type of directional planning since the 1960s, when the universities went through their great expansionary phase, and that the time has come, as we enter the 1990s and the next century and when so many important tasks are delineated for our universities, to figure out ways in which to support the post-secondary sector. We agree, of

course, that business should play a greater role in the universities, that the public should play a greater role in financing the universities. Of course all Ontario universities have begun that process in the last five years or so, but the simple fact of the matter is that it is going to take a much greater role on the part of the government to start that dialogue and to participate in that process, if our university system simply does not fall apart.

**Mr Leblanc:** I am going to address more the report that is before you. In it we suggest the re-evaluation of the way universities are funded. Currently it is an operating system; I am sure you are all aware of the way it is done, with the operating funds and the additional envelopes for accessibility.

We think that is poor targeting of funds for each individual institution because, to call everything "operating" really does not reflect the way universities really operate; every institution is different. For example, McMaster spends a great deal of its money on research out of the operating fund because it is planning on being a research institution. That causes deficiencies in undergraduate education, say, in the professoriate, etc. Beyond that, the operating system, where you just give a chunk of funds, does not really give a true picture of what each aspect of post-secondary education costs. Thus you cannot arrive at a real tuition policy, which I do not think the province has ever really had; and you get no planning, because you are just giving them lumps of money.

I am sure the universities will not really like this, but I think the province should target more funds specifically, say, at McMaster, like, "This year we are going to build facilities or this year we are going to target research." You can use the different funds to effect change in different areas at every different institution individually. The way it would work is, you would just split everything up in a libraries fund, undergraduate education, administration, etc, etc and have a per-institution evaluation of what their needs would be. You would use a base per-student grant and then build up from there for each section.

Like Stephen said, if we had the same proportion of the budget as we had 10 years ago, we would need an extra \$506 million a year. That just shows you the kind of neglect that the system has had. Clearly we have not been a political priority for anyone for about 10 years. I am sure you have heard all of that. The calls now for tuition increases that are coming from the Council of Ontario Universities and the adminis-

trators I think are just out of desperation; they have been banging their heads against the wall and getting nothing out of it for 10 years, so even they have said, "Let's increase tuition." Ontario currently has the highest proportion of its operating covered by tuition, that is, 15.3 per cent of operating is covered by tuition in Ontario, whereas in the rest of Canada it is only 10 per cent. So really there is no basis for a call for tuition increases. Operating grants in other provinces are covered for 70.5 per cent by the government and in Ontario it is 63.2 per cent. Clearly, you know, there has to be something done on the part of the government before any looking to the students for more money is done.

Like Stephen said, the study needs to be done because really we have no co-ordinated policy on education. Vision 2000 is addressing the colleges and sort of figuring out their role for the future. There is nothing like that happening with the universities. Bovey kind of addressed that, but we really need something that is not really like a royal commission or an inquiry, but more a gathering of the different groups that have an interest in post-secondary education and really hammer out a new mandate and a new policy, a new vision for the universities as we move into the next century. That, of course, will take a lot of time. So coupled with that we really do need action on the—I hate to use the word—underfunding crisis that is going on right now. If we do not, we could very well see the institutions close in the future because they cannot operate with the funds they are having per student. I guess that is it. We could take some questions.

**Mr Morin-Strom:** Thank you very much for your presentation. Certainly you bring a subject that is of very serious concern to myself and I think to many other members. My own background was very much as an academic and to me, we as a province are really letting down our young people and our future because of the lack of support we are giving to our universities. Unfortunately it just does not seem to be a political priority; it does not seem to be an issue that has a political resonance across a broad spectrum of Ontario residents, either because they do not see themselves or their children necessarily as going to university, or because they do not see the economic value of maintaining and strengthening our university institutions.

It seems to me that some of the suggestions you have in terms of setting a new direction really are what may be needed to refocus some attention. I see you have asked a number of questions here, like, should we encourage the

development of specialized institutions which would pursue excellence in a given field or subject area?

Maybe we should let some of the universities go their own way, in fact, to the point of becoming private institutions. I know many in my party would disagree with my point, but I had the opportunity to attend probably two of the world's premier private universities in the United States. The strength of those universities are the alumni associations and the strength of the research component that they have that enable them to attract considerable funds above and beyond anything that is attracted here in Ontario. Do you think we should be setting universities with more freedom to go their own direction rather than trying to maintain an average, a norm or a per-student rate right across the system in Ontario?

1110

**Mr Longo:** I think that you have raised some very interesting points and again you have underscored why we feel the dialogue has got to begin on the post-secondary sector, because of the questions that we pose. Your point about the political priority is certainly true. No one is denigrating the fact that health care is an important priority in this province, but that does seem to get the lion's share of the attention and sectors, especially like the post-secondary one, have suffered. Mind you, I must say that up until very recently, I do not think universities were doing a good enough job of developing their roles within their communities and their societies.

To a large extent, financial realities have forced them in the last five to 10 years to take on responsibility and act, not as if they were islands unto their own, but as functioning sectors of their communities. To that extent that has been a positive development on the part of the universities, but our point is that that must be embellished by further government attention.

As to your question about specialization for the institutions in allowing more autonomy for universities, there certainly are attractive elements in that idea and I understand what you are saying about the private institutions in the United States. Certainly they are much better endowed and some would say they have a much better-quality educational experience for their students. But a concern in the whole prospect of specialization is that you would be creating a two-tiered educational system, with have and have-not universities, and some would argue that elements of that system already exist in Ontario. That is a

concern that I think would have to be addressed by an ongoing dialogue.

**Ms Hošek:** I found your brief extremely interesting and very thoughtful. I must say I am very impressed by it, but the suggestion that you are making about targeted funding is very much a vision of the discussion we just had with Mr Morin-Strom about letting a variety of institutions go their own way. I think you mentioned in passing that you thought the universities would not be happy with this suggestion.

The difficulty that I see, and tell me if you see it differently, is that most universities guard very jealously their decisions to make priority decisions about where their money goes. So if McMaster has decided that it is more committed at this point to developing the research capacity than to strengthening the undergraduate education program, that is basically what the board of a university is about, or what the governance of the university is about.

As soon as you try to do funding with the targets being set by the provincial government you run into several difficulties. You could be accused of basically taking away the power of all the boards of governors to make decisions about how to govern their institutions, so that you would de facto have a superboard of governors that consisted of the Treasurer of the province of Ontario deciding what was happening; and politics being what it is, you would also have, potentially, a much more direct one-to-one relationship between whatever political pressure was hot at any given time and what happened to institutions year by year. The argument that I certainly recall from my days at university to which I have some sympathy is, "Give us a chance to know what we are doing over longer than one year at a time." That is a very important kind of message the institutions give.

Have I missed something here? I think that your notion of making more visible the various parts of what universities do, making that more transparent to everyone and making the decisions clear to everyone makes all kinds of sense to me, but I cannot get around my sense that if we did what you suggested, as I understand it, it would be creating de facto a kind of superboard of governors one level away from the boards that now run the universities. Any reactions on that?

**Mr Leblanc:** I agree with you to a certain extent that that could possibly happen under this plan, and this is a very rudimentary sort of discussion of this. You mentioned that if McMaster wanted to concentrate on research, it should be allowed to. Sure, they should be



allowed to do that and specialize, but not to the detriment of undergraduate education, graduate education or whatever. The problem is, when they specialize now, they are hurting the other areas; they are doing it to the detriment of the others. I am saying that you can be a very good teaching institution and a good research institution. You cannot trade one off for the other; you have to be able to do both.

This proposal could be working in five-year sets. You could be setting global provincial targets and then dividing them up by the institutions. I mean, there are various ways around that. It is not simply meeting with the president of the university and saying: "What do you need for a library? What do you need for this?" or, conversely, the province saying, "This is what you will get and you will spend it on this."

You need a dialogue and I think that is the element that has been missing. There is no discussion about individual institutions, there is no long-term planning going on; there is nothing, really. You sort of flood the enrolment through a formula and out comes the money. I mean, that is the way it works now and I think we should bring more discussion and dialogue to it. I think there is an element that, sure, the province could get heavy-handed and say, "You are going to do this and you are going to spend this in this area," but I would hope that there would be more good faith going on and more discussion going on that would not allow that to happen, beyond the political pressures of the day or anything like that.

**The Chair:** Thank you for taking the time to come and giving us your thoughts and your brief and we will certainly consider it very carefully when we write our report.

Our final presenter of the morning is PUSH, which is Persons United for Self-Help in Ontario, represented by the provincial co-ordinator, Richard Santos, who will be presenting to the committee. Welcome this morning and thank you for coming and taking the time to be here. We have approximately 20 minutes for your presentation, Mr Santos, and some questions back by members of the committee. I would invite you to begin whenever you are ready.

#### PERSONS UNITED FOR SELF-HELP IN ONTARIO

**Mr Santos:** Thank you very much for the opportunity to present to you today. I will just give you brief words of what PUSH is. It is a cross-disability advocacy group, which is divided up into regions with our central office in

Toronto. I am the provincial co-ordinator. We estimate, and it has been estimated, that there are over 900,000 disabled people in Ontario. I hope to bring some points and some general areas to your attention today.

The papers that I was able to put together are just points, some of them very specific points; but sometimes specific points get lost, so that is why we did it that way.

I want to talk about two general areas and link some of the issues that are our concern and then focus on three specific points. One of the general areas is the very well done report *Transitions*. I am somewhat at a disadvantage because I was not able to attend yesterday when the minister, Mr Beer, was to make a presentation. However, I just want to say that we do support many of the *Transitions* recommendations that were brought forward by Judge Thomson. We urge the government and the Legislature to continue working on the income maintenance benefits, recommendations and that whole area which needs to be rationalized, needs to be looked at in a comprehensive way.

Within *Transitions* and within income maintenance, I want to focus on a few specifics. Many disabled people want to become contributors to our society; taxpayers; become fully employed. There are many barriers. One of the main ones, which I want to just call to your attention, is training opportunities and also the work incentives or disincentives, if you are on benefits.

This area must be really addressed, because in a sense it can be cost-saving if disabled people are able to have gainful employment, and our taxpayers, instead of being on the guaranteed annual income system for the disabled or income maintenance.

One of the obstacles is the lack of training opportunities, the lack of accessibility in training opportunities. I will just give you a specific example. The *Futures* program is quite a good program and I have done employment work, so I know some people who have benefited but as an example, many of those offices were not wheelchair-accessible. Another example of training opportunities not being usable, that a blind or visually impaired person could get the information from, is in media like circulars, etc.

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Another point that I want to highlight is the work incentives and disincentives. The supports to employment program has been put into effect, which is a very good program; however, I can tell you, and I am very good with statistics, I am very good with the program and process and other

people I know who work with this are good, I really highlight how well trained we workers are to understand it, to work with people, to take the benefits from STEP. I think that sometimes, if you put some money into training, it does save you money in the long run.

The other area I will generally speak of is the deinstitutionalization, or the factors around institutions for disabled people, and I will talk about some specifics, but I am also going to generally speak. As some of you probably know, there has been a major effort to obtain an advocacy system for people who are in institutions. We feel very strongly that that is a need and it would be sometimes cross-cost beneficial because, if people are being mistreated or do not have their rights respected, that can have an impact, certainly a quality-of-life impact.

Another specific within talking about attendant care or about care for people is that there is a long-term care task force going on that is looking at services for the elderly and disabled. One specific program or potential program I want to urge to be put into effect is a brokerage system, where people could receive money or, if they were well endowed already, could purchase services and have more individual control over the selection of services. Now, I understand there is some interest in having pilot projects, I would urge that this be supported and that some brokerage pilot projects be established. Certainly the Ministry of Health is just growing, going crazy, etc and it has to be controlled some way or another. The Ministry of Community and Social Services has problems. There has been an effort to rationalize. I do not think it has got very far, but I think a brokerage system might be another answer and I just urge that that be considered.

One of the three specifics I want to address is point number 1 we have on the brief of points that we submitted. The government should really live up to its commitment around the assistive devices program of the Ministry of Health. I know, as a visually impaired person, that technical communication aids for blind and visually impaired people are expensive. However, for many people those devices have made it possible to go to work, to become more independent within the home, to get an education, etc and it is a shame that the government has not expanded the program to cover these devices for everyone.

A second specific is transportation. I have been working within the province of Ontario trying to improve transportation for severely disabled people. There are many different problems, but one of them is the Toronto

Transport Commission. Just recently, this week, the TTC has adopted a very good report around taking steps to have more accessible transportation for the elderly and disabled. I urge that the government and your committee look at trying to move the Ministry of Transportation to taking some more positive steps in this direction.

I think I will stop there and give a chance for questions. I hope you will consider some of the points, and I appreciate the opportunity to speak to the process at any time.

**Mr Daigeler:** I certainly appreciate your coming before us; in fact, there have been several groups making very similar points. It is an area to which I am sensitive, but I certainly was not as aware as I am now. Tell me a little bit more about the organization you represent, because one thing that did strike me is that there seem to be quite a few different groups coming here, self-help groups for the disabled. Do you kind of work together?

**Mr Santos:** Yes. There have been several coalitions around specific issues which affect different disability groups. Our group attempts to be cross-disability, attempts to take in as many of the broader issues that affect many people. We are the largest self-help group made up of disabled people in the province and we are the provincial affiliate of the Coalition of Provincial Organizations of the Handicapped, COPOH, which is recognized as one of the strongest speakers on the national level. So we do have local groups and regional groups and frankly, one of my own personal pet projects as co-ordinator is hoping to have some voice of disabled people in every riding in the province.

**Mr Faubert:** I noted you talked about certain problems regarding training and retraining opportunities and the accessibility of some of the areas in which these programs are carried on, and also the materials that are used in these training programs being difficult for people with seeing impairments. Have these concerns been passed along to the minister? Has your group written to the minister related to these?

**Mr Santos:** Actually, when Mr Mancini was the Minister without Portfolio responsible for disabled persons, the government did make a policy statement around accessibility in a usable form for information, which would go into the area of vocational rehabilitation and some of the other areas. Unfortunately it is a very difficult policy to implement. Certainly my name and the fact that I am visually impaired are fairly well known by some of the ministries, so they have

made efforts to get papers to me and get a lot of information to me on tape, as an example.

However, there are other situations where public circulars or flyers about programs, etc, are out there, but there is no general information number, for instance, to call up and find out if this is on tape. I do not think the government bookstore has been tied in with it. So what I am saying is that there are various issues that have to be looked at around making information in a usable form. Of course, another issue is making the money available and having a rational system where each ministry has to be responsible for its own information.

**Mr Faubert:** Exactly. And while you have made it known to the minister responsible, in one sense many programs come under diverse ministries. I just wondered whether you had communicated with the different ministries related to this, or whether you are asking the minister responsible for disabled persons to put forward a program that goes through all ministries so they are aware of these problems.

**Mr Santos:** Yes, I would like the ministers to be aware, and then there really should be some kind of co-ordinated effort to meeting that need. I think that is one of the issues.

**Mr McCague:** Given that the Treasurer may have difficulty in fully implementing the assistive devices program, in what area would you extend the program if you could give it only partial treatment?

**Mr Santos:** It really gets very tricky. I think one of the issues that in a sense the government or committee has to address is, how do you enable people to have access to devices, whether it is

through assistive devices or other programs, for instance, a visually impaired blind person who is going to become employable? I will tell you, there is a very circular situation in that particular case.

Many times, under a vocational rehabilitation service you must have the job before you can get the piece of equipment. Maybe you cannot do that job without that piece of equipment, so you end up getting into—I mean, I have known people who have lost job opportunities because they did not have the equipment in time. So around employment, vocational rehabilitation, skills development or the Canada Employment and Immigration Commission can be other resources. However, when you talk about some basic factors of trying to meet the reading needs of blind people—I guess what I would try to do is boil some of the needs down to basics, and say that the assistive devices program should be meeting these basic needs.

**The Chair:** We appreciate your taking the time to be here and share your concerns and your thoughts with us, and when we are writing our report, which we are about to begin to do, we will take it into account.

That concludes the hearings for this morning and indeed for the session.

**Mr Morin-Strom:** Do we have another one?

**The Chair:** No, it is cancelled. FAIR had requested but cancelled out at the last minute.

**Mr Faubert:** I guess I move, then, that we go in camera for the purposes of instructing staff and preparing the draft response.

The committee continued in camera at 1132.



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